Sustainability Report 2011

SaskPower
Powering the future

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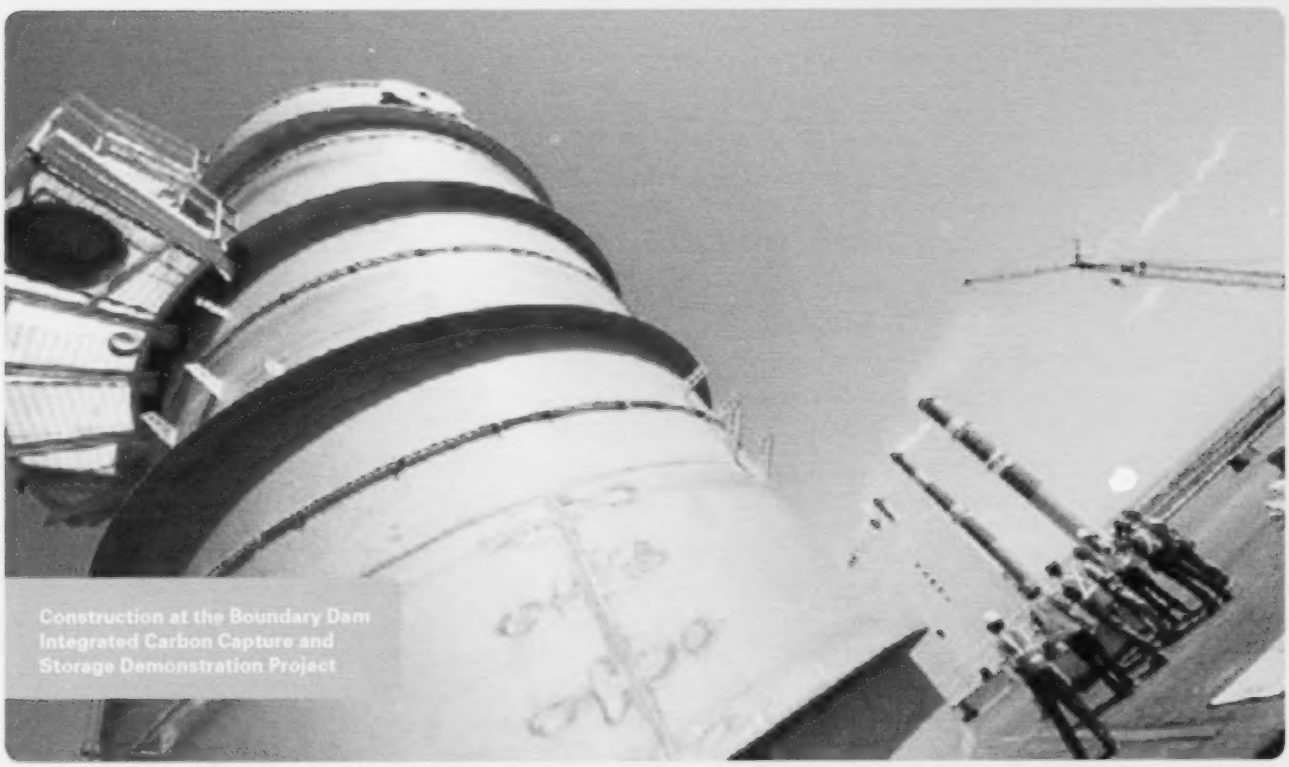
Front Cover: Mike Monea, President, Carbon Capture and Storage Initiatives, and Mike Zeleny, Manager, Boundary Dam Power Station, at the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project



Construction at the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project

About Our Report

Within SaskPower's Sustainability Report, we seek to provide our stakeholders with a balanced account of SaskPower's 2011 environmental, economic and social performance. We also discuss the challenges ahead in 2012 and beyond. The report includes progress made against specific targets. As SaskPower's sustainability program develops, we will be adjusting the indicators to ensure they appropriately represent our performance. All financial data has been extracted from the 2011 SaskPower Annual Report, which was independently audited and tabled in the Legislative Assembly of Saskatchewan.

We invite you to view this report online and learn more about our company by visiting saskpower.com.

Centennial Wind Facility

2011 Performance Summary

SaskPower's primary sustainability issues

Issue	Description	Why it matters	SaskPower's plan	Page
Environmental regulations	The greatest environmental challenge facing SaskPower is emissions regulations on fossil fuel (coal and natural gas) generation, particularly with respect to CO_2, but also particulates, SO_2, NO_x and Hg.	The Government of Canada is proposing new regulations for the electricity sector that would apply stringent performance standards on all emissions for fossil-fired generation, especially coal-fired, potentially limiting coal as a future generation source for SaskPower.	SaskPower is pursuing carbon capture and storage technology in order to meet the performance standard without sacrificing economic development and growth.	**p. 18**
Infrastructure renewal	The majority of SaskPower's infrastructure needs to be rebuilt or replaced due to its advanced age. At the same time, SaskPower is experiencing unprecedented demand for power due to economic growth.	SaskPower needs to revitalize and reinforce the provincial electricity system, as well as deliver increased capacity, in order to power Saskatchewan's growing economy into the future.	A sustainable energy strategy has been developed that balances the economic, environmental and social needs of the people of Saskatchewan.	**p. 29**
Rates	The need for substantial investments in new infrastructure will challenge SaskPower's effort to minimize rate increases.	SaskPower needs to keep rates as low as possible to support the growing Saskatchewan economy and offer competitive rates to customers.	Through the SaskPower Business Renewal Program, the company is reviewing its operations to increase efficiencies and control and reduce costs.	**p. 38**
Aboriginal and stakeholder engagement	The growth of the Saskatchewan economy is spurring an expansion of the SaskPower electricity system. As such, it has never been more important to reach out to Aboriginal and stakeholder communities.	Clear, two-way communication with our stakeholders, including First Nations and Métis peoples, allows SaskPower to make informed and sustainable decisions and gain support in the communities in which we operate.	SaskPower is focusing on enhancing its interactions with First Nations and Métis peoples and all stakeholders through increased engagement and consultation. Particular emphasis is on establishing meaningful dialogue with Aboriginal communities.	**p. 46**
Workforce planning	More than 30 per cent of SaskPower employees are eligible to retire over the next 10 years.	SaskPower needs the right people in the right positions with the right skills to ensure the company is prepared to power the future.	SaskPower has introduced a five-year workforce plan focused on strengthening succession planning, knowledge transfer, recruitment and retention.	**p. 49**

2011 Highlights

Environmental

- SaskPower began construction of the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project.
- Carbon dioxide (CO_2), mercury (Hg), sulphur dioxide (SO_2) and total particulate matter (PM_{10} and $PM_{2.5}$) emissions and emissions intensity decreased.
- Added 20 new environmentally preferred power projects totalling approximately 50 megawatts (MW) from Independent Power Producers (IPPs) though the Green Options (GO) Partners Program.
- Approximately 133,000 tonnes of fly ash were sold, equating to a savings of approximately 133,000 tonnes of CO_2.

Economic

- The 86 MW Spy Hill Generating Station and the 26 MW Red Lily Wind Facility were commissioned.
- The Corporate Customer Strategy was developed to help SaskPower continue to evolve into a service-oriented company.
- Worked to reduce the upward pressure on rates through the SaskPower Business Renewal Program, which will eliminate, control or avoid a cumulative total of $2 billion in spending by 2020.
- SaskPower's consolidated income before unrealized market value adjustments was $239 million, with a per cent debt ratio of 63 per cent.

Social

- Signed a Memorandum of Understanding (MOU) with the First Nations Power Authority (FNPA) to collaboratively and cooperatively look at power generation projects in the province.
- Introduced a new five-year Workforce Plan that integrates with existing sourcing strategies to ensure SaskPower has the necessary skills in place.
- Recognized as one of Canada's Best Diversity Employers for the third consecutive year.
- Implemented a new Drug and Alcohol Program to prevent workplace safety incidents by providing support to employees in need of assistance and ensuring they are fit for work.

Key sustainability data

	2011	2010
Carbon dioxide emissions (million tonnes)	**13.4**	14.0
Electricity supplied (GWh)	**21,611**	20,759
Available generating capacity (MW)	**4,094**	3,982
Lines in service (km)	**151,966**	150,085
Revenue (millions)	**$1,837**	$1,691
Income before unrealized market value adjustments (millions)	**$239**	$223
Return on equity (%)	**13.2**	13.4
Capital expenditures (millions)	**$625**	$538
Customer accounts	**481,985**	473,007
Public fatalities	**0**	0
Employees (permanent full-time)	**2,701**	2,727
Employee lost-time injury frequency rate	**2.31**	1.45
Employee lost-time injury severity rate	**56.06**	43.72
Community investment	**$1,590,543**	$1,652,099

Message to Our Stakeholders

Through SaskPower's long and proud history of more than 80 years, innovation has been the defining element that's carried us from our roots to the company we are today. Our ability to innovate will also carry SaskPower into the future.

Innovation impacts every area of the organization and is the core of SaskPower's sustainability efforts. In fact, innovation is key to our sustainable development as a company. The concepts are linked in theory and practice and have never been more important to SaskPower. Securing affordable and dependable electricity for our customers is inseparable from managing our long-term economic success with environmental accountability and social responsibility. The common denominator is SaskPower's ability to develop innovative solutions to overcome challenges and mitigate risks.

Our spirit of innovation was on display as early as the 1940s when SaskPower began the process of delivering electricity to rural Saskatchewan. In order to deploy services in a manner that would not bankrupt the company or our customers, SaskPower pioneered the use of a single-wire, ground-return distribution system. It allowed us to provide electrical service to remote areas at a lower cost than other options and still serves us well.

Understanding the challenge

We proudly carry forward that spirit of innovation. Today, we continue to face challenges, but they are different from those encountered by our predecessors – in scope and scale. As such, we are forced to innovate out of a sense of necessity. Our reality is that we are facing three main challenges: aging infrastructure, a growing demand for electricity and climate change. These issues are certainly not exclusive to SaskPower and are in fact being experienced by electric utilities throughout North America.

Compounding the challenges are emerging environmental regulations, which require us to meet strict emissions targets for greenhouse gases. Since fossil fuels account for the majority of our generation, we recognize that we must reduce our carbon footprint. With a 300-year supply of coal readily available in the province, it is essential to find a way to continue to use this low-cost fuel in a sustainable manner. We understand that our customers and other stakeholders expect us to operate in a manner that respects the environment, and we hold ourselves to those same strict standards.

Making progress

The goal of our Sustainability Report is to demonstrate accountability for our sustainability performance in 2011, as well as our continuing evolution as a sustainable organization. The report documents the challenges we are facing, the solutions we are identifying and our results from the past year. We understand that sustainability is not a project with a predetermined beginning and end. Nor is it a separate program to be worked on independent of other aspects of our operations. Rather, we are working to integrate sustainability into our culture as an organization, including all of our projects.

To guide our decisions going forward, we have developed a Sustainable Energy Strategy to meet Saskatchewan's growing needs. This plan balances the economic, environmental and social needs of the people of the province. The strategy is critical to the success of SaskPower as well as the future prosperity of Saskatchewan. It includes investment in generation options, as well as the renewal and expansion of our transmission and distribution infrastructure, to ensure we are able to deliver power to our customers in the future. It is an innovative plan with innovative solutions.

Leading the world

SaskPower is leading the development of one of the world's first and largest integrated carbon capture and storage projects at Boundary Dam Power Station, which will result in low-emission electricity and carbon dioxide for enhanced oil recovery operations.

SaskPower's innovation on carbon capture and storage does not end there. We are also partnering with Hitachi Ltd. to construct a carbon capture test facility at Shand Power Station that will allow international developers to fully evaluate the performance of their systems in capturing carbon dioxide emissions from coal-fired power stations.

Our world-leading research extends beyond carbon capture and storage. The Emissions Control Research Facility at Poplar River Power Station has developed industry-leading technology that captures mercury from the flue gas before it escapes into the atmosphere. This technology helps us meet the requirements of the Canada-Wide Standard for mercury emissions and has been recognized by our industry peers.

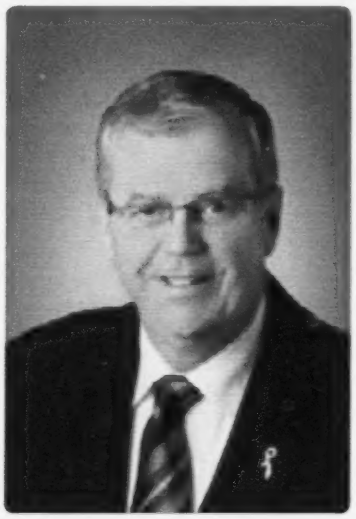
Engaging stakeholders

Developing an ongoing conversation with our stakeholder groups is essential to meeting Saskatchewan's growing demand for power. To ensure we do a better job of sharing information, addressing concerns and developing a deeper level of trust, we have restructured our operations to place a greater focus on engaging directly with SaskPower stakeholders.

Strengthening our relationship with SaskPower customers was a major priority in 2011 and will continue to be a priority in the future. Through our new Corporate Customer Strategy, we are changing how we operate as a business in order to meet the changing needs and expectations of our customers. Complementing this strategy is our continuing work on the SaskPower Service Delivery Renewal Program, which will improve service quality, productivity, efficiency and system reliability through innovative solutions and processes. This includes work on smart meters – Advanced Metering Infrastructure (AMI) – in some communities in 2012 and across the province in 2013. AMI will provide near real-time monitoring of electrical consumption and operational data that will assist us in identifying outages quicker, improving power quality and helping us operate our emerging smart grid.

At SaskPower, employees are stakeholders too. Over the next 10 years, more than 30 per cent of our employees are eligible to retire. Innovation alone will not power the future. We also need to ensure that we have the necessary people in place to guide us forward. To that end, we introduced a new five-year Workforce Plan in 2011 that will ensure the necessary skills are in place at SaskPower. Recruitment is only half the equation, though, as we continue to focus on employee engagement and improving on past results in order to help retain our current workforce. Our concern about employees extends to their personal safety, which prompted the first-ever SaskPower Safety Stand Down in 2011.

As an organization, we set sustainability targets to guide our direction. Difficulties and setbacks can occur when organizations refuse to accept the status quo, but the true measure is how they respond to these challenges. We are optimistic that we can work together – employees, customers, business partners and stakeholders – to develop a sustainable future for Saskatchewan. We welcome your feedback and support as we work together to power our future.



Robert Watson
SaskPower
President and Chief Executive Officer

About Us

Corporate Profile

Strategic Direction

SaskPower Structure

Governance

Board of Directors

System Map

Poplar River Power Station

Corporate Profile

SaskPower is Saskatchewan's leading energy supplier. Our company traces its origins to the Saskatchewan Power Commission, which was founded in 1929.

In 1949, SaskPower was incorporated as a provincial Crown corporation under the authority and mandate of *The Power Corporation Act*. Today, we are defined by our commitment to support economic growth and enhance the quality of life in Saskatchewan.

SaskPower's team is made up of more than 2,700 permanent full-time employees. We manage $6.3 billion in generation, transmission and distribution assets. Our company operates three coal-fired power stations, seven hydroelectric stations, six natural gas stations and two wind facilities. Combined, they generate 3,513 megawatts (MW) of electricity. SaskPower also buys power from the Red Lily Wind Power Facility, SunBridge Wind Power Facility, Spy Hill Generating Station, Meridian Cogeneration Station, Cory Cogeneration Station and NRGreen Heat Recovery Facilities in Kerrobert, Loreburn, Estlin and Alameda. At the end of 2011, our company's total available generation capacity was 4,094 MW.

We are responsible for approximately 482,000 customers within Saskatchewan's geographic area of approximately 651,000 square kilometres. Approximately three customers are supplied per circuit kilometre. We maintain nearly 152,000 kilometres of power lines, 55 high-voltage switching stations and 186 distribution substations. Our company also has interconnections at the Manitoba, Alberta and North Dakota borders.

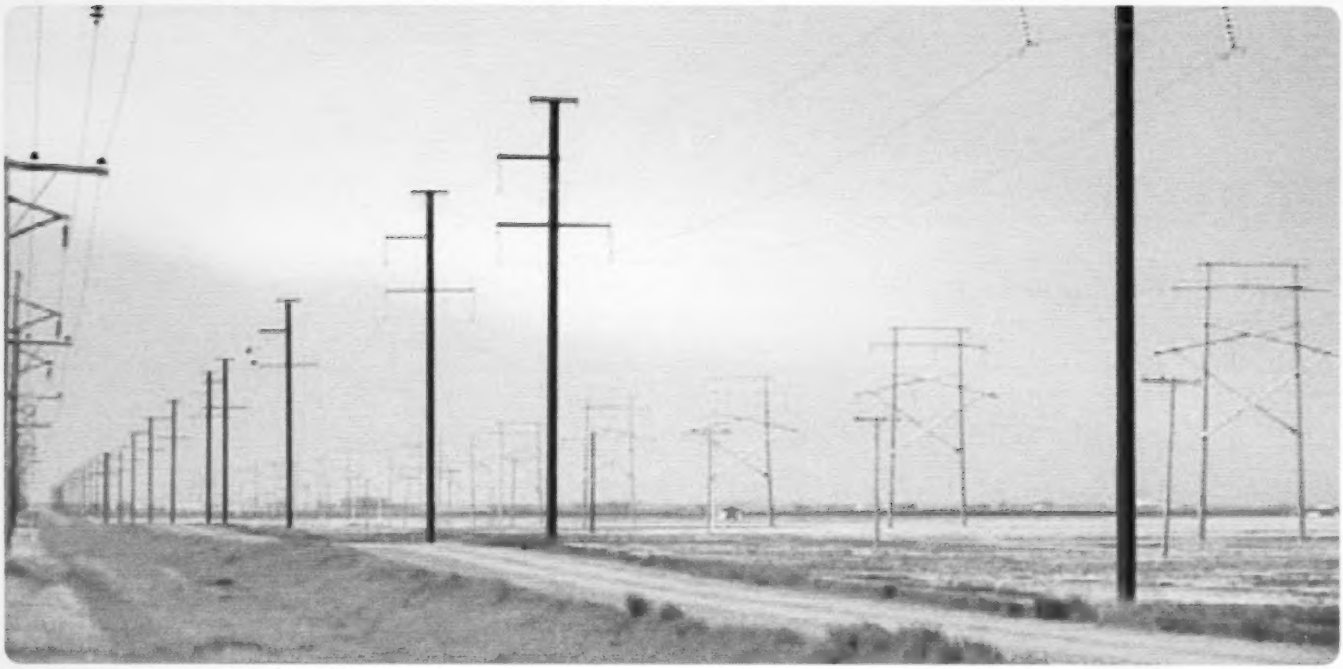
SaskPower's infrastructure also includes the System Control Centre, which directs the operation of the power system, and the Supervisory Control and Data Acquisition system that provides remote operations and control at SaskPower facilities.

NorthPoint Energy Solutions and SaskPower Shand Greenhouse are wholly-owned subsidiaries of SaskPower.

For further information on SaskPower or our subsidiaries, please visit saskpower.com.

From left: District Operators Wayne Sigmeth, Alan Olsen, Greg Klevgaard

Strategic Direction



SaskPower develops a Strategic Plan on an annual basis that encompasses our core strategies and business priorities within the context of the business environment in which we operate. The plan is guided by our overall strategic direction, which is articulated in our vision, mission and values statements.

Our vision

People, innovation and partnerships...powering Saskatchewan to a bright future.

Our mission

Safe, reliable and sustainable power for our customers.

Our values

Responsive, respectful, progressive and accountable in everything we say, do and offer.

Our focus

People

Our business is about people. With our renewed approach to customer service, our customer satisfaction levels will compete with leading companies in any industry. We strive to be a sought-after employer, with dedicated, engaged employees working to reach the organization's goals. We welcome dialogue and create opportunities for stakeholders to provide input. Above all else, the safety of our employees and customers is vital.

Financial

SaskPower is an important financial contributor in Saskatchewan, adding more than $1 billion to the provincial economy each year. We recognize our role in supporting business and growth in the province and believe we have a responsibility to carefully and prudently manage the company's finances.

Stewardship

Our mission is to provide safe, reliable and sustainable power for our customers. Detailed short, medium and long-term power supply plans are in place, focused on a balance of generation options. As we develop new generation, we also maintain and upgrade existing infrastructure to ensure reliability. In all of these activities, we seek sustainability as we balance environmental, social and economic interests.

The SaskPower Board of Directors revised the company's vision, mission and values statements in 2012. The statements in this report reflect SaskPower's strategic direction in 2011, the reporting period for the 2011 SaskPower Sustainability Report.

To view SaskPower's updated strategic direction, please visit saskpower.com.

SaskPower Structure

Our company is governed by *The Power Corporation Act*. It is subject to the provisions of *The Crown Corporations Act, 1993*. This legislation gives the Crown Investments Corporation (CIC) of Saskatchewan, the holding company for Saskatchewan's commercial Crown corporations, broad authority to set the direction for SaskPower.

CIC is SaskPower's sole shareholder and provides oversight of our company's operations. Our company reports to CIC on a regular basis on matters such as Corporate Balanced Scorecard results, financial statements and forecasts, capital expenditures and debt obligations. Through its Chair, who is an outside Director, the SaskPower Board of Directors is accountable to the Minister Responsible for SaskPower. The Minister functions as a link between SaskPower and Cabinet as well as the provincial legislature.

For further information on our structure, please see p. 112 of the 2011 SaskPower Annual Report.

Governance

The general stewardship of SaskPower is the responsibility of our company's Board of Directors. The Board is responsible for setting direction, monitoring and evaluating achievement, as well as identifying any necessary corrective action. The Board works with management to develop and approve SaskPower's Strategic and Business Plan and has standing committees to assist in discharging specific areas of responsibility. The Sustainability Report is reviewed by members of the SaskPower executive and is submitted to the SaskPower Board of Directors' Governance/ Human Resources Committee for review.

For further information on our governance processes, please see p. 112-119 of the 2011 SaskPower Annual Report.

Board of Directors (as at December 31, 2011)*

Chair

- Joel Teal – Saskatoon, Saskatchewan

Vice-chair

- Bill Wheatley – Regina, Saskatchewan

Directors

- Tammy Cook-Searson – La Ronge, Saskatchewan
- Ian Coutts – Kindersley, Saskatchewan
- Judy Harwood – Saskatoon, Saskatchewan
- Mitchell Holash – Prince Albert, Saskatchewan
- Nicholas Kaufman – Regina, Saskatchewan
- Bryan Leverick – Saskatoon, Saskatchewan
- Mick MacBean – Calgary, Alberta
- Andy McCreath – Calgary, Alberta
- Lorne Mysko – Saskatoon, Saskatchewan

Corporate Secretary

- Dale Bloom

** Full biographies are available at saskpower.com.*

SaskPower system map
(as at December 31, 2011)

AVAILABLE GENERATION (net capacity)

HYDROELECTRIC

1. Athabasca Hydroelectric System - 23 MW
   - Wellington (5 MW)
   - Waterloo (8 MW)
   - Charlot River (10 MW)
2. Island Falls Hydroelectric Station - 101 MW
4. Nipawin Hydroelectric Station - 255 MW
5. E.B. Campbell Hydroelectric Station - 288 MW
19. Coteau Creek Hydroelectric Station - 186 MW

NATURAL GAS

3. Meadow Lake Power Station - 44 MW
7. Yellowhead Power Station - 138 MW
9. Ermine Power Station - 92 MW
10. Landis Power Station - 79 MW
12. Queen Elizabeth Power Station - 430 MW
15. Success Power Station - 30 MW

WIND

16. Cypress Wind Power Facility - 11 MW
18. Centennial Wind Power Facility - 150 MW

COAL

20. Poplar River Power Station - 582 MW
21. Boundary Dam Power Station - 828 MW
23. Shand Power Station - 276 MW

INDEPENDENT POWER PRODUCERS

6. Meridian Cogeneration Station - 210 MW
8. NRGreen Kerrobert Heat Recovery Facility - 5 MW
11. Cory Cogeneration Station - 228 MW
13. NRGreen Loreburn Heat Recovery Facility - 5 MW
17. SunBridge Wind Power Facility - 11 MW
22. NRGreen Estlin Heat Recovery Facility - 5 MW
24. NRGreen Alameda Heat Recovery Facility - 5 MW
25. Red Lily Wind Power Facility - 26 MW
26. Spy Hill Generating Station - 86 MW

TRANSMISSION

- 230 kV
- 138 kV/115kV/110kV
- Switching station
- Interconnection

Our Approach to Sustainability

Sustainability at SaskPower

Stakeholder Engagement

Management Systems

Risk Management

Sustainable Electricity Program

Sustainability at SaskPower

Sustainability is part of SaskPower's mission – *Safe, reliable and sustainable power for our customers*. It is rooted in our philosophy as we develop the necessary structures and strategies to guide our decision-making and actions now and in the future.

Every day at SaskPower, our vision of sustainable power guides us to:

- Generate electricity in a manner that respects the environment;
- Engage and empower employees in the workplace;
- Serve as stewards for occupational and public safety;
- Manage finances in a fiscally responsible manner; and
- Enrich the communities our customers and employees call home.

Closely tied to our sustainability efforts, we continually strive to achieve a high degree of transparency and accountability by publicly reporting on our performance. Along with our annual financial reporting, we began distributing an *Environment Report* in 1995. That report has since evolved into the *SaskPower Sustainability Report*.

Sustainability reporting helps us understand where improvements have been made and where more work is still required. As such, SaskPower is dedicated to a program of continuous improvement that is critical to our success. This program continues to evolve as we grow as a company, as does the information and data regarding our environmental, economic and social performance. Determining which issues we address in our *Sustainability Report* will be an ongoing process, as we seek the input of our stakeholders and the best practices of other organizations to measure and improve our approach to sustainability.

Stakeholder engagement

Engagement drives sustainability at SaskPower. Developing mutual avenues of communication and maintaining ongoing dialogue with our stakeholders are essential to our business. Creating these channels of discourse enables SaskPower to share pertinent information, receive feedback, address concerns, respond to questions, and create an understanding of our projects and future plans. It also provides regulators and other stakeholders with an ability to understand our operations, as well as an opportunity for us to understand the perspectives and interests of those we impact. Most importantly, clear two-way communication with our stakeholders will allow us to make fully informed and sustainable decisions on issues that are important to the people of Saskatchewan. Among our methods of soliciting feedback are public consultations as well as web-based and face-to-face interactions.

Management systems

SaskPower uses internationally recognized management systems to implement and continually improve our corporate policies, procedures and codes. The management systems for environment, health and safety follow the standards of the International Organization for Standardization (ISO) 14001 Environmental Management System (EMS) and Occupational Health and Safety Assessment Series (OHSAS) 18001 Safety Management System (SMS). Our EMS and SMS registrations are maintained through regular internal and external audits.

Providing SaskPower employees and contractors with a structure to promote continuous environmental improvement helps us identify, monitor and manage the impact of our business on air, land and water. We track our progress by setting specific objectives and targets that are based on regulatory, technological and financial considerations. SaskPower also has a comprehensive safety strategy to minimize workplace health and safety risks. It provides financial, human and technological resources to achieve our health and safety goals.

Risk management

SaskPower manages the normal risks associated with our operations, as well as risks arising from a constantly changing world, through our Enterprise Risk Management (ERM) Program. Our corporate-wide ERM Program identifies strategic, financial, operational, environmental, compliance and reputational risks so that we can prepare for or actively manage them.

Sustainable Electricity Program

As a member of the Canadian Electricity Association (CEA), SaskPower participates in the CEA's Sustainable Electricity Program. The program provides SaskPower and other member utilities with a policy for sustainable development, performance indicators and external verification of data submissions.

For more information on the CEA and its Sustainable Electricity Program, please visit electricity.ca.

Reputational Survey and Customer Research

Employees' opinions on SaskPower's reputation were sought on a survey launched March 1, 2011. The reputation survey – aimed at finding out whether stakeholders think the company is credible, dependable and reliable – was also distributed to 1,600 residential and commercial customers, roughly 200 strategic partners and almost 150 key customers.

When the survey, which was standardized for all stakeholder groups, closed on March 18, the data was analyzed.

"On average, people have a positive impression of SaskPower," says Farrah Ovans, Supervisor of Market Research, whose team also collected survey data from customers in 2010. Employees are also key stakeholders when it comes to reputation, she adds.

"It's going to be very hard for us to improve our reputation externally if internally that's not consistent with what we're trying to put out there," says Ovans.

The survey revealed roughly 71 per cent of the 1,185 employees who completed the survey have a favourable opinion of SaskPower. Women, office staff, part-time workers and employees under 30 are more likely to have good opinions of the company, while field workers and men are more likely to have a bad opinion.

The three areas in which employees rated the company the lowest were having a future supply plan, being an innovative company, and being efficient and well run. Roughly 30 per cent of those surveyed listed employee relations and morale as needing improvement. Nearly 20 per cent said the company could be more efficiently run, while fewer than 15 per cent said the collective bargaining agreement could improve.

Among all the stakeholders, employees gave SaskPower the highest rating in the areas of providing good value for the service and a fair price for electricity. In particular, employees liked having good people to work with as well as good benefits and wages.

New products and the rapid pace of change stood out as a specific concern, along with bureaucracy, contract negotiations, morale, accountability and operational issues.

Communication with employees through this period of rapid change is essential and led to the creation of Generate, a tool that allows employees to anonymously weigh in on important company topics on a monthly basis. Each edition of Generate asks questions about a different topic and indicates when to check back for results.

Generate will be a necessary resource moving forward as SaskPower works to improve its reputation among employees.

"Sometimes the results aren't going to be favourable, but we shouldn't be afraid to share that," says Ovans.

Environmental Performance

Environmental Policy

Air Emissions

Land and Water

Biodiversity

SaskPower Shand Greenhouse

The greatest environmental challenge currently facing our company is climate change. Due to our current reliance on fossil-fuel generation, we recognize that we must reduce our carbon footprint. With a 300-year supply of low-cost lignite coal readily available in the province, it is essential to find a way to address these contrasting needs.

One solution is finding an environmentally sustainable way to continue to use coal in the generation of electricity. We will accomplish that by leading the development of one of the world's first and largest integrated carbon capture and storage projects at Boundary Dam Power Station.

We will also continue to explore and add in new, lower-emitting forms of generation into our supply mix. We've been adding natural gas generation into our portfolio and are encouraging small-scale power production using renewable energy sources, such as wind and biomass. In addition to adding generation, we are working to reduce energy demand through conservation and efficiency programs as well as investing in smart grid technology.

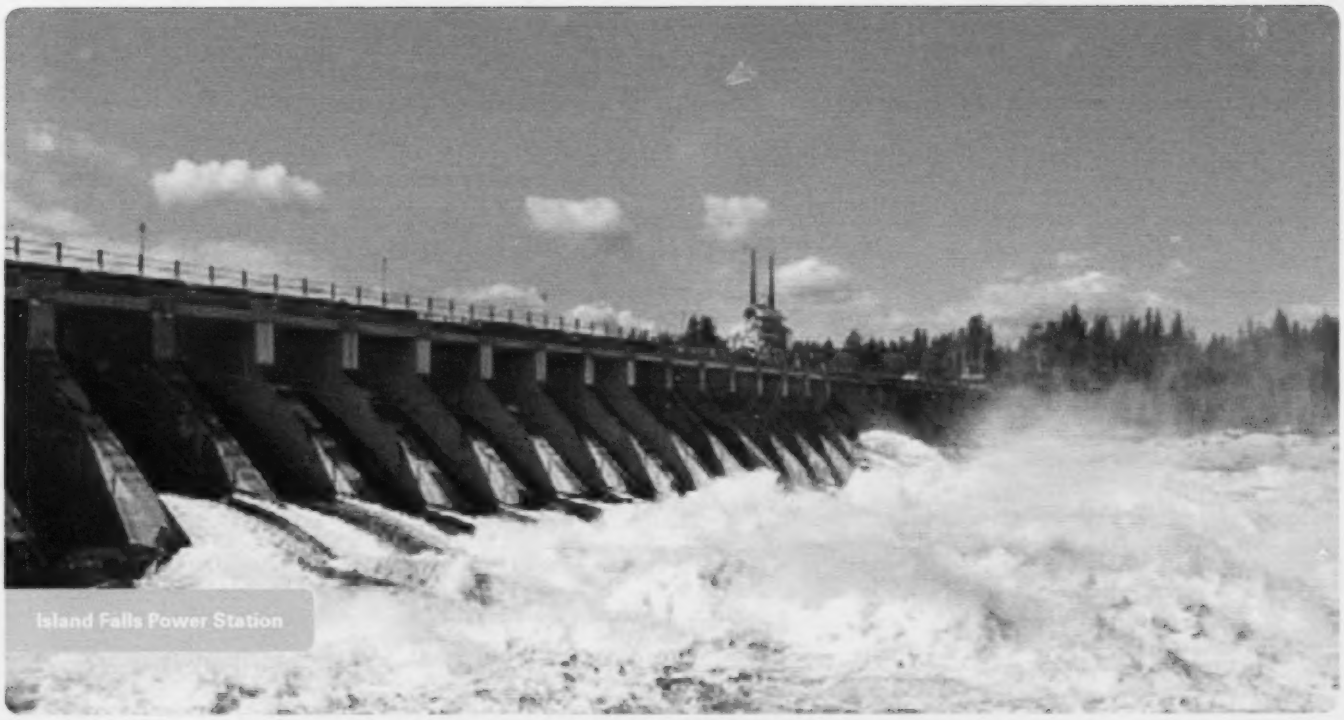
While climate change is at the forefront of our concerns, our success as a company depends on us considering all environmental impacts in the production and use of electricity. SaskPower's ISO 14001 Environmental Management System provides SaskPower with a structure to help identify, monitor and manage the impact of our business on the environment. Our Environmental Policy plays a role in guiding the decision-making and actions of our employees and contractors.

The Environmental Policy clearly articulates SaskPower's dedication to environmental responsibility, outlining our company's commitment to comply with applicable laws while pursuing continuous improvement. Specific objectives and targets are set based on the principles contained within the policy.

The main environmental issues we are managing are:

- Air emissions
- Land and water
- Biodiversity
- Regulatory change

SaskPower Environmental Policy



Island Falls Power Station

SaskPower is committed to strong environmental stewardship and performance through adherence to the following principles:

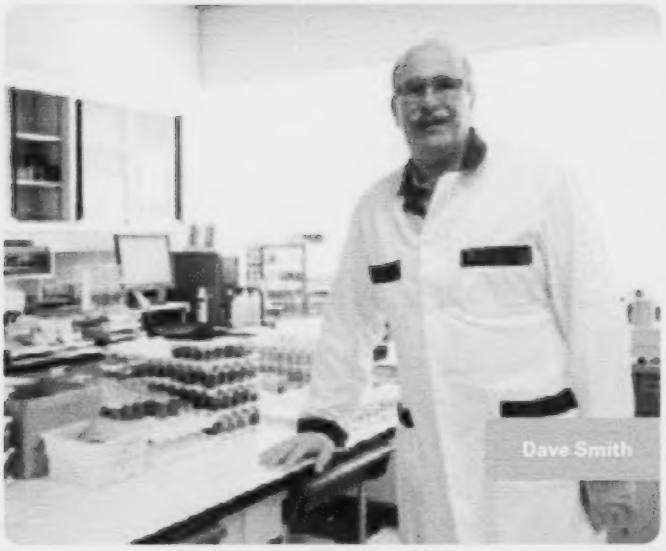
1. Compliance with relevant environmental legislation, regulations and corporate commitments
2. Prevention of pollution
3. Continual improvement of our environmental management systems and performance

In support of these principles, SaskPower, through our employees and those working on our behalf, will:

- Understand and fulfill our environmental roles and responsibilities;
- Identify and manage all significant environmental aspects associated with our facilities and operations so as to minimize adverse impacts;
- Avoid, reduce or control emissions or discharges that may adversely affect the environment;
- Conserve resources through efficient use and implement the fundamentals of waste management: rethink, reduce, reuse, recycle and recover;
- Encourage the conservation and responsible use of electricity;
- Audit our environmental performance regularly;
- Respect the biodiversity in areas within which we operate and work to prevent or minimize loss and support recovery;
- Communicate actively, transparently and effectively with stakeholders on environmental issues and our performance; and
- Integrate environmental considerations into corporate decision-making processes.

Emissions Control Research Facility – Three Technologies to be Tested

Emissions Control Research Facility



Dave Smith

SaskPower's Emissions Control Research Facility (ECRF) is as busy as ever looking at technologies to control emissions.

"As a company, we recognize that at some point in time, if we want to keep generating electricity by burning coal, we're going to have to achieve essentially zero emission status," says Dave Smith, Supervisor of Environmental Initiatives with Power Production.

The facility, commissioned in 2004 and located at the Poplar River Power Station, is currently looking at three projects that will help reduce emissions of mercury, sulphur dioxide (SO_2), nitrogen oxides (NO_x) and particulate matter.

One technology the ECRF is testing is agglomeration, which helps small particles attach to larger ones and is easier for a particulate control device to capture from the flue gas. Testing on this process started in 2010, says Smith.

"The preliminary tests look encouraging," he says. "It looks like we are able to reduce the amount of particulates coming out of our particulate control device, but we're not sure whether it's enough to actually get what we need."

Smith adds upgrades to the test system need to be installed to ensure operating conditions reflect those in which the technology supposedly works best. He is hopeful the modifications will be made by mid-2012.

Another technology is a small-scale selective catalytic reduction system (SCR). The SCR is used to control NO_x emissions and has been installed at Poplar River's Unit #1. Nitrogen oxides emissions result in the formation of fine particulates, explains Smith.

"There is a much greater concern about the environmental health impact of fine particulates than there has been in the past as people learn more about what they can do to a biological system," he says, adding NO_x emissions are also a precursor to acid rain and accelerate the formation of smog.

The SCR requires further testing, however, because when it's installed on units that burn the kind of coal SaskPower does, the SCR will foul due to the composition of the flue gas. The company is working with the Babcock and Wilcox Power Generation Group to find a solution to this problem and Smith is hopeful this will be in motion by mid-2012 as well.

"If that project is successful, then we have a means to get the nitrogen oxides emissions down to a lot lower levels than they are now," he says.

A third project is still in the design stages, but it involves firing an electron beam into the flue gas. The electrons would cause the SO_2 and NO_x to oxidize into a form that can be more readily captured by a particulate control system. SaskPower is working with PAVAC Industries Inc. to find an electron beam system that would fit into the ECRF. Smith explains that this technology, expected to be delivered by the fall of 2012, promises similar NO_x reductions to the SCR.

Air Emissions

Due to the relationship between carbon emissions from fossil fuel generation and global climate change, as well as uncertainty with the current regulatory environment, our pathway forward requires us to make complex decisions as we determine our options for renewing and replacing SaskPower's electrical infrastructure. Further complicating this decision-making process are the effects of other emissions such as SO_2 and NO_x. We know that there will be significant limitations placed on coal-fired generation and a need to reduce our air emissions impact.

We also know that SaskPower, and our customers, will incur increased costs as we replace older equipment with new infrastructure and shift to lower-emitting sources of generation, add emission controls to our existing generating facilities and increase renewable energy capacity. More than 40 per cent of SaskPower's available generating capacity in 2011 came from coal. With an abundant supply of lignite coal, SaskPower is interested in finding more environmentally sustainable ways to ensure it remains part of our fuel supply.

Regulatory developments

Perhaps one of the greatest unknowns is the timing of any new regulations. On August 27, 2011, the Government of Canada proposed new regulations for the electricity sector that would apply a stringent performance standard to new coal-fired electricity generation units as well as those reaching the end of their economic lives. The federal government believes the proposed regulations will help Canada achieve its commitment to reduce greenhouse gas emissions by 17 per cent below 2005 levels by 2020. It would accomplish this, in part, by proposing that 45-year-old power stations either meet an emissions intensity standard equivalent to best-of-class natural gas power plants or be shut down.

At SaskPower, we are concerned that the proposed regulations, if not changed, will stall innovation and the development of carbon capture technologies that we are pursuing in Saskatchewan. We submitted our concerns in a detailed response to the federal government in October 2011. SaskPower believes the regulations need to move forward in a responsible, reasonable and sustainable manner, including:

- A flexible, fleet-wide approach to allow time for investment decisions;
- An end-of-life term of 50 years, rather than 45; and
- A CO_2 emissions performance standard minimum of 420 Tonne/GWh rather than the proposed 375 Tonne/GWh.

The reduction of emissions for other air pollutants is also being discussed nationally. As a member of Environment Canada's Electricity Sector Expert Group, SaskPower is involved in discussions on Base Level Industrial Emission Requirements (BLIERs) for NO_x and SO_2 on existing coal-fired generating units. The Canadian Council of Ministers of the Environment authorized the completion of BLIERs by the end of 2011, which was ultimately extended to March 2012 by Environment Canada.

Members of the electricity sector, including SaskPower, are advocating that existing generating units should not be subject to BLIERS beyond the proposed federal regulations on carbon dioxide and applicable provincial legislation. In addition, we strongly believe that special consideration needs to be applied to lignite coal for NO_x due to the challenges of applying the Selective Catalytic Reduction technology on higher sodium lignite coals. In order to address emissions control problems related to burning lignite, SaskPower is actively engaged in research and development. This includes in-house activity, particularly at the Emissions Control Research Facility that continuously draws flue gas from Poplar River Power Station, and collaboration with lignite-burning utilities in North Dakota in various joint activities.

At SaskPower, we believe the only practical way of meeting the CO_2 performance standard and other air pollutant reductions without sacrificing economic development and growth is by employing carbon capture and storage technology. To that end, SaskPower has already made a major commitment to reducing carbon dioxide emissions through the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project. Extending the timing of the proposed coal-fired regulations is essential in demonstrating the economic and environmental feasibility of carbon capture and storage on a commercial scale before committing the technology to SaskPower's other coal-fired generating units.

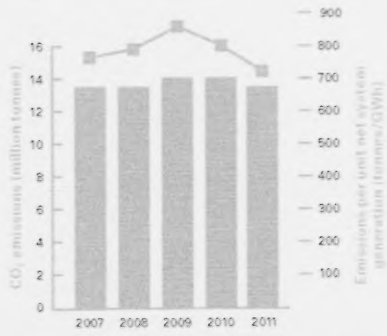
Demonstrating the feasibility of carbon capture and storage on a commercial scale for coal-fired generation is a critical pathway to advancing environmental technologies. The $1.2 billion project at Boundary Dam Power Station will reduce greenhouse gas emissions from the rebuilt generating unit by approximately one million tonnes per year. As well, it will virtually eliminate SO_2 emissions. More importantly, this project will forge an environmentally sustainable path for the production of coal-fired electricity in Saskatchewan and around the world. With the amount of coal being used to generate electricity worldwide, this issue extends far beyond the borders of Saskatchewan.

For further information on our carbon capture and storage initiatives, please visit saskpower.com or saskpowercarboncapture.com.

Carbon emissions

In 2011, SaskPower's total carbon dioxide (CO_2) emissions were reduced by more than four per cent despite increased electricity generation in Saskatchewan. This was primarily due to reduced coal-fired generation at Boundary Dam Power Station. Although spring flooding in Saskatchewan stranded the coal supply at Boundary Dam for more than 60 days, it enabled SaskPower to use higher than normal hydro generation, which produces fewer emissions than coal.

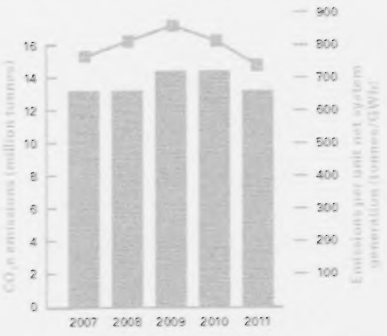
Carbon dioxide (CO_2) emissions



* Generation and emissions from SaskPower-owned facilities

During the year, overall carbon dioxide equivalent (CO_2e) emissions decreased by over four per cent. Carbon dioxide equivalent is the amount of carbon dioxide emissions, plus an adjustment for methane (CH_4) and nitrous oxide (N_2O) emissions, expressed in terms of the global warming potential of carbon dioxide. These emissions are primarily produced by our coal-fired power stations – Boundary Dam, Poplar River and Shand – but also include emissions from the gas-fired Yellowhead, Queen Elizabeth, Meadow Lake, Landis, Success and Ermine Power Stations.

Carbon dioxide equivalent (CO_2e) emissions

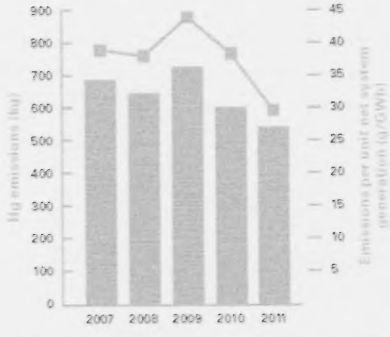


* Generation and emissions from SaskPower-owned facilities

Mercury emissions

Mercury (Hg) emissions and emissions intensity decreased in 2011 due to more effective operation of the mercury control system at Poplar River Power Station, which was installed to meet the Canada-Wide Standard for mercury that came into effect in 2010. SaskPower is using an activated carbon injection system at Poplar River. During the year we decided to install a similar system at Shand Power Station, which will be in service in late 2012. SaskPower continues to acquire mercury offsets through a vehicle switch recovery program. In 2011, 19.6 kilograms (kg) of mercury were recovered through this program, with a cumulative total of 293 kg since the partnership began in 2003.

Mercury (Hg) emissions



* Generation and emissions from SaskPower-owned facilities
** Does not include offsets from mercury switch agreement

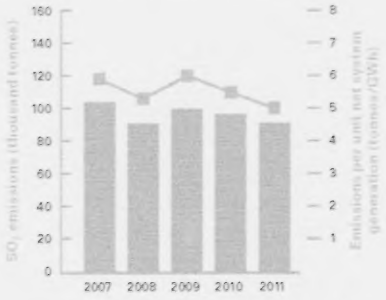
The activated carbon injection system was developed at our company's Emissions Control Research Facility (ECRF) at Poplar River. This award-winning facility has attracted the interest of other lignite-burning utilities and suppliers of mercury-control technologies, as well as funding support from agencies in

Canada and the United States. During the year we engaged in discussions with vendors developing innovative mercury control agents who were seeking to test them at ECRF. Work is underway to determine a suitable test program in 2012.

Sulphur dioxide

Sulphur dioxide (SO_2) emissions and emissions intensity decreased by nearly five per cent in 2011, primarily due to reduced coal generation at Boundary Dam Power Station. During the year a proposal was submitted to the Ministry of Environment to address SO_2 emissions at Shand Power Station. The proposal outlines technologies and process improvements for managing SO_2 emissions in line with Shand Power Station approval commitments.

Sulphur dioxide (SO_2) emissions

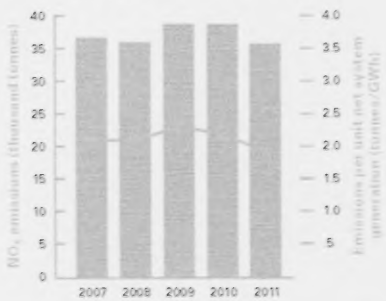


* Generation and emissions from SaskPower-owned facilities

Nitrogen oxides

In 2011, emissions of nitrogen oxides (NO_x) decreased by more than five per cent. This can be primarily attributed to a reduction in coal-fired generation during the year, particularly at Boundary Dam Power Station. Further emission reductions can be expected with the decision to upgrade low NO_x burners at Shand Power Station in 2012.

Nitrogen oxides (NO_x) emissions

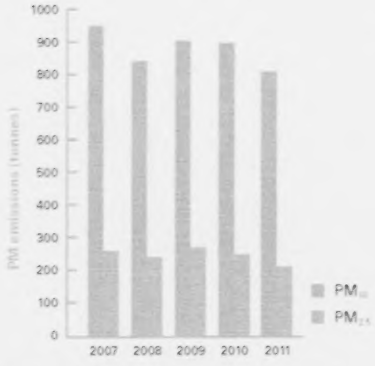


* Generation and emissions from SaskPower-owned facilities

Particulates

Total particulate matter emissions and emissions intensity decreased slightly in 2011, partially due to lower generation at Boundary Dam Power Station as a result of flooding, as well as the upgrade of the transformer rectifier system at Poplar River Power Station Unit #1 as part of the station's ongoing electrostatic precipitators (ESP) improvement program.

Particulate matter (PM) – PM_{10} and $PM_{2.5}$



* The subscript number for PM (10 or 2.5) represents the maximum diameter of the particle in micro metres (µm). One µm is a millionth of a metre.
** Contains stack and fugitive particulate matter from coal plants (Boundary Dam, Shand and Poplar River Power Stations).
*** Total particulate matter (PM_{10} and $PM_{2.5}$) emissions and emissions intensity decreased in 2011 from 2010, largely due to a decrease in particulate-emitting coal generation.

Air quality partnership

Southeast Saskatchewan Airshed Association

In 2011, SaskPower continued to serve on the Board of Directors of the Southeast Saskatchewan Airshed Association, a collaborative group of industry, government, non-governmental organizations and private citizens. Its mandate is to monitor ambient air quality in the southeast region of Saskatchewan. Air quality in the region in 2011 remained good with monitoring showing that sulphur dioxide, nitrogen dioxide and ozone were well within existing Saskatchewan Ambient Air Quality Standards.

For further information on the activities of the Southeast Saskatchewan Airshed Association, please visit sesaa.ca.

Boundary Dam Integrated Carbon Capture and Storage Demonstration Project

On April 26, 2011, SaskPower made a groundbreaking announcement at Boundary Dam Power Station. After years of researching the technology, the decision was made to proceed with the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project, the first and largest commercial-scale project of its kind in the world.

The $1.2 billion dollar project is a government-industry partnership that will turn Unit #3 at Boundary Dam into a carbon capture unit. The project makes coal-fired generation cleaner and more environmentally sustainable by controlling carbon dioxide emissions. The end result will be 110 MW of clean baseload electricity and captured CO_2 that will be used to enhance oil recovery in the province.

The technology will greatly reduce greenhouse gas emissions by capturing one million tonnes of CO_2 per year in addition to virtually eliminating SO_2 emissions. Carbon capture and storage has left many employees feeling positive about the long-term future of the company.

"This is our life blood," says Tim Perry, Production Supervisor, of employees who work at Boundary Dam and other coal-fired plants. "Coal is what we do and most of our generation comes from coal. Without this clean coal announcement, without this project, the life of coal is finite."

Shortly after the announcement, construction started on the facility, which is located just west of Boundary Dam Power Station. Overseeing SaskPower's construction of the structure is Bob Turczyn, Supervisor of Construction at Boundary Dam. He says building the carbon capture facility is as new as the technology itself.

"We are entering a new phase as far as SaskPower is concerned because we have always been in coal, gas, wind or hydro," says Turczyn. "This is essentially a chemical plant, which is very different from anything that SaskPower has in its fleet."

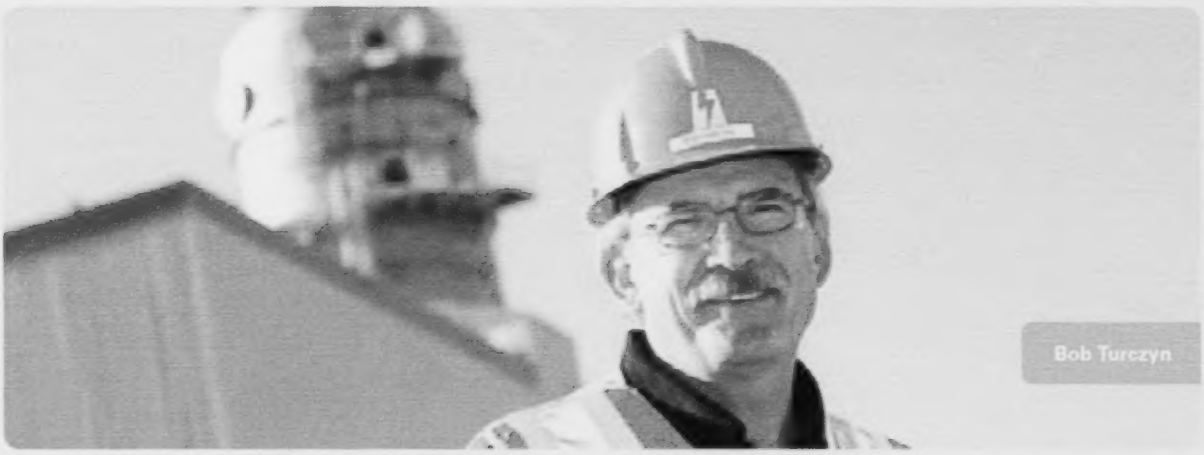
The main contractor for the project is SNC Lavalin, which specializes in engineering, procurement and construction and has worked on similar projects. Approximately 450 contractors will be on site in the spring and summer of 2012 when construction is at its peak.

The project is more than 25 per cent completed, despite a delay in the placement of the 650,000-pound CO_2 stripper, which is integral to the project. The stripper needed to be transported from Alberta to Estevan before being lifted into place with the help of a 650-tonne crane.

Work is also over one-third finished on the project's tallest structure: the absorber, which will reach 180 feet high. In the absorber, CO_2 and SO_2 will be absorbed by liquid amine and then pumped over to the SO_2 and CO_2 strippers, where they will be separated and further processed. At the end of the process, liquid carbon dioxide and sulphuric acid will be available for resale.

The facility is expected to be operational in 2014.

"It's a good thing to be a part of. It's a feel-good project and it's going to turn out to have positive impacts for decades and decades to come," says Perry.



Bob Turczyn

Screenings, assessments and project approvals

Prior to commencing any construction, SaskPower uses an Environmental Screening System (ESS) to identify any potential environmental, cultural or heritage issues related to a proposed project. The ESS allows SaskPower to understand what may need to be done in order to manage environmental aspects of projects. It uses baseline environmental and archaeological information compiled from various sources, including government, private sector and academic institutions, to screen for:

- Species at risk and important habitat;
- Areas that may have heritage significance including archaeological sites, sites of a special nature, national and provincial historic sites, heritage properties and paleontological sites;
- Crown lands administered by the Saskatchewan Ministry of Environment, Saskatchewan Ministry of Agriculture or federal agencies;
- Areas that have legislated protection, such as game preserves and bird sanctuaries;
- Areas considered biologically important;
- Private lands that are protected by conservation easements or are considered potentially significant habitat; and
- Water bodies, rivers and streams, and wetlands.

During the year, we made two enhancements to the ESS:

- Land claim selections as part of the Treaty Land Entitlement process were incorporated into the system. When planning projects, we now have the information we require to minimize the impact on these lands and undertake the necessary consultation.
- Critical habitat related to the *Species at Risk Act* was obtained from Environment Canada and Parks Canada.

Beneficial management practices manual

Work continued on the development of a procedures manual that will identify the routine low-risk activities of SaskPower operations and outline impacts and suitable mitigation measures. The practices identified in the manual will be used to meet or further Environmental Code development in Saskatchewan. Implementation of the practices is expected to create efficiencies by allowing for the timely execution of projects while providing environmental protection. Work will continue in 2012 to complete the manual.

Site assessments

SaskPower conducts site assessments prior to the sale, purchase or lease of property, or as a result of the identification of potential contamination. In 2011, 27 site assessments were carried out. This was an increase from previous years as new SaskPower guidelines require the assessment and monitoring of farm sites purchased for coal mining. The assessments include the investigation of impacts to soil and groundwater from substances such as polychlorinated biphenyls (PCBs), hydrocarbons, metals, soil sterilants and wood treatment chemicals. If necessary, we initiate site remediation after the assessment has been completed.

Until communities were connected to the provincial transmission system in the 1980s, SaskPower operated 27 diesel generating stations in northern Saskatchewan. An environmental review in 2008 determined that we needed to do more work to verify if there were any possible adverse effects at 12 to 15 of these sites. Currently, we are in the midst of conducting Environmental Site Assessments and remediation, if necessary, at these locations. The program will be completed by 2014. To date, nine locations have been assessed, including Deschambault, Sturgeon Landing and La Loche in 2011. Two more assessments will be conducted in 2012.

PCB management

PCBs are industrial chemicals that were used to manufacture electrical equipment until the late 1970s. Due to the impacts of PCBs – their environmental persistence and ability to bioaccumulate in the food chain – the federal government took action to eliminate PCBs in Canada.

Since the mid-1980s, any new equipment purchased by SaskPower has been free of PCBs. Currently, as equipment comes out of service, we test it for PCBs and handle, store and dispose of it appropriately. Environment Canada made changes to accelerate the removal and disposal of PCBs and PCB wastes in 2008. SaskPower received an extension until the end of 2014 for the removal of equipment having PCBs at or above 500 milligrams (mg)/kg and at or above 50 mg/kg when located in sensitive areas. Under the terms of the extension agreement, we are identifying units that may contain high levels of PCBs. A review of all available data sources was completed by the end of 2011. The remaining equipment will require testing and potential replacement. Testing will continue in 2012 and plans are being developed to replace equipment that requires destructive testing methods.

Spill reduction

During the year, SaskPower had 17 reportable spills. Through legislation, we are required to report spills by type, volume and location. The cause of the spills was operating issues and vandalism. There were no long-term environmental impacts as a result of these spills. Corrective actions have been taken in response to each of these spills.

Number of reportable spills

	2011	2010	2009	2008	2007
Oil spills	**7**	18	2	12	9
PCB-contaminated oil spills (>5 ppm)	**8**	3	3	0	1
Other spills	**2**	3	3	3	1
Total spills	**17**	24	8	15	11

Vegetation management

When tree branches fall across a line during a storm, it can cause damage and interrupt electrical service. SaskPower maintains vegetation along all power line rights-of-way in order to ensure safe and reliable operation. SaskPower uses integrated vegetation management practices, which includes techniques such as mechanical clearing and trimming, replacing one type of vegetation with a more suitable species, and the selective use of herbicides. Company policies, as well as provincial and federal regulatory requirements, are followed when using herbicides.

In 2011, five pilot projects were initiated in rural and urban areas to test the design of a comprehensive vegetation maintenance program for our company's rights-of-way. Through the pilot projects, we will design procedures and standards for assessing vegetation, develop processes that support integrated planning and scheduling, and create best practices for our vegetation management program. The pilot programs will be completed in 2012 and the vegetation maintenance program will be finalized the following year.

Fly ash

Fly ash is a byproduct of burning finely pulverized coal in coal-fired power stations. It is sold for use in ready-mix concrete, mine backfill, oil well cementing, road base stabilization and liquid waste stabilization applications. In 2011, approximately 133,000 tonnes were sold, equating to a savings of approximately 133,000 tonnes of CO_2. By selling fly ash, we are offsetting the CO_2 produced in the course of cement manufacturing.

In 2011, construction was completed at Boundary Dam Power Station to collect fly ash for sale from Unit #6. This addition doubled the amount of fly ash that is available for sale. In mid-2012, SaskPower will commission a new load out facility at Boundary Dam Power Station that will increase storage capacity from 1,200 tonnes to more than 5,000 tonnes.

Biodiversity

Saskatchewan has a diverse and healthy environment that provides many benefits, including clean air and water. At SaskPower, we are committed to conserving and protecting our province's unique ecosystems.

As such, we manage environmental resources and ecosystems to minimize loss and support recovery. SaskPower has established and implemented a variety of programs that benefit biodiversity, many of which are carried out in partnership with other organizations and agencies.

Sturgeon

The Committee on the Status of Endangered Wildlife in Canada (COSEWIC) has recommended listing lake sturgeon as 'endangered' under the federal *Species at Risk Act*. The federal government has been gathering information, consulting with stakeholders and developing recovery plans in preparation for a decision and potential listing. SaskPower's hydro operations can impact lake sturgeon through the loss of spawning habitat as well as modification to flows and habitat fragmentation along the Saskatchewan and Churchill Rivers. We are a founding member of the Saskatchewan River Sturgeon Management Board and have contributed to lake sturgeon research in the province to better understand our impact on the sturgeon population. We are also active participants on recovery planning teams.

SaskPower also has a fisheries protocol agreement with federal and provincial regulators to manage fish and fish habitat issues at power-generating facilities. These activities will help us effectively manage and mitigate our impacts on lake sturgeon and promote their recovery and conservation.

Fisheries

A committee comprised of Department of Fisheries and Oceans Canada (DFO), SaskPower, Saskatchewan Watershed Authority and Saskatchewan Ministry of Environment has been established to review SaskPower's fisheries-related impacts and ensure compliance with relevant acts and regulations. The Fisheries Issues Committee is an effective method of identifying, researching and resolving fishery-related issues for our facilities.

During the year, potential issues were reassessed and updated. Site-specific studies, inspections and mitigations have helped alleviate or eliminate some potential issues. Others remain on a priority list for further action. The science-based approach we are taking through this unique model with our regulators helps ensure that SaskPower operations are compliant, and environmentally and economically responsible.

SaskPower had one fisheries-related non-compliance in 2011. As we managed 2011 flooding concerns on the Saskatchewan River, we inadvertently lowered water levels on Tobin Lake – E.B. Campbell Hydroelectric Station's reservoir – outside of the plant's *Fisheries Act* authorization. Once recognized, we took immediate action to raise the water to appropriate levels. Operating procedures were also established to ensure the situation does not occur in the future.

E.B. Campbell Hydroelectric Station Fish Salvage

Marcy Bast

Several Saskatchewan River fish lived to see another day thanks to a fish salvage led by SaskPower in the summer of 2011. The fish had become trapped in pools and were in need of rescue.

SaskPower staff, the Ministry of Environment, Fisheries and Oceans Canada, North/South Consulting and the Cumberland House Fishermen's Co-op worked to save 1,160 fish.

It took five-and-a-half days to complete the rescue mission in which fish, including lake sturgeon, walleye, northern pike, goldeye, perch and more, were captured in nets and released back into the Saskatchewan River and Tobin Lake. Plant personnel from E.B. Campbell Hydroelectric Station provided support, arranged equipment, operated the spill gates and made sure everything was safe in the spillway.

Including the recent spill, the spillway at E.B. Campbell has only been used twice in the last decade to protect the station and surrounding area from high water levels. To ensure compliance with *The Fisheries Act*, a fish salvage is required whenever the spillway is used.

"It's a last resort to spill there, because of the fish salvage and the costs associated with it. It's not something that happens very often," says Marcy Bast, Environmental Advisor, who took part in the rescue efforts.

Bast says although the spillway is necessary, its unique design tends to strand fish that either go through it when it's open or swim upstream into the higher water levels it creates in the marshland below.

"It's unique in that it's five kilometres of original Saskatchewan River channel," she says. "Because we were spilling early this year during spawning time, they'll swim up into the spillway and just sit there."

As the water starts receding out of the spillway and down the river, the fish find deeper pools to occupy, she says. While the fish could survive in the pools in the summer, they would be frozen solid when the water turns to ice in the winter.

Gary Jamieson, Maintenance Engineer and Environmental Management System Representative, was responsible for organizing a large portion of the fish salvage for SaskPower.

Jamieson says the fish salvage is just one example of an increased sense of environmental responsibility from SaskPower in the last decade.

"We've also changed the way we shut our spill off. Traditionally, we just shut it off. This time we did a very staged shutdown and that seems to have had quite an effect on the number of fish in the pools," he says.

Though fish salvages will be necessary any time the spillway is used in the near future, Jamieson says SaskPower is looking into longer-term solutions to avoid stranding fish.

"It's part of SaskPower's contribution to improving the environment," says Jamieson. "Hydro's a very environmentally friendly way to make power, but you still have to put in some work to make it that way."

Woodland Caribou recovery

Woodland Caribou are currently designated as a threatened species under the federal *Species at Risk Act*. In 2011, Environment Canada released a draft national recovery strategy for the boreal population of Woodland Caribou. Significant concerns have been raised on the potential impact of the strategy as a result of a review completed in 2011. We are supportive of actions that protect and recover species at risk and have been an active participant in the drafting of a provincial recovery strategy for Saskatchewan's caribou populations. However, we believe the federal strategy is inconsistent with the approach and science being used provincially.

Economic development in northern Saskatchewan is expected to grow significantly over the next 20 years and, as the province's electric utility, we are responsible for powering that growth. Yet the recovery strategy, as currently drafted, would essentially preclude this development from proceeding. It would have long-term, negative impacts on Saskatchewan's economy. Instead, the recovery of the Woodland Caribou needs to be achieved through a national strategy developed by federal and provincial officials along with key environmental and industry stakeholders. SaskPower is seeking to work with provincial and federal regulators in drafting a reasonable, scientifically defensible recovery strategy and action plan that ensures Woodland Caribou and sustainable development can coexist in Saskatchewan.

Partnerships

Ducks Unlimited Canada

With the support of SaskPower's Diamond Legacy Sponsorship, Ducks Unlimited Canada undertakes several projects every year in Saskatchewan to support the conservation of ducks, migratory birds and their habitats. In 2011, our sponsorship was primarily directed to three programs:

1. Habitat Conservation
   Funding provided by SaskPower helped Ducks Unlimited Canada complete the Everitt conservation project, which included nine quarters of land in the Allan/Dana Hills. This project will help conserve 114 acres of wetlands and 768 acres of native prairie uplands in perpetuity. Since 2005, SaskPower funding has assisted in the protection of 8,477 acres of native upland and wetland habitat throughout the province.

2. Habitat Restoration
   Under a new pilot program, Ducks Unlimited Canada leased six quarter-sections of land in the Touchwood Hills during the year. The Andjelic Lease Project consists of 601 acres of cultivated land, which will be seeded to tame forage, provide upland nesting and wildlife habitat. As part of the project, 85 drained wetlands will be restored and 64 existing wetlands will be conserved, with a combined area of 129 acres.

3. Saskatchewan Wetland Education Program
   SaskPower's sponsorship of this program enabled Ducks Unlimited Canada to deliver 111 class presentations and wetland field trips for students and adults throughout Saskatchewan in 2011. More than 2,300 students and teachers enjoyed hands-on activities in outdoor classrooms. Since the program's inception in 1999, our support has helped provide learning opportunities for more than 92,000 children and over 9,800 adults.

For further information on these Ducks Unlimited Canada projects, please visit ducks.ca.

Nature Saskatchewan

SaskPower provides financial support to Nature Saskatchewan to help further our understanding of the natural environment and protect and preserve natural ecosystems through education, conservation and research. Our sponsorship was directed to the following programs in 2011:

- Stewards of Saskatchewan
- Important Bird Areas Caretakers Network
- Last Mountain Bird Observatory
- PlantWatch

In 2011, SaskPower also helped fund the Saskatchewan portion of the International Piping Plover Census – People, Partnerships and Plover.

For further information on these Nature Saskatchewan programs, please visit naturesask.ca.

Upper Souris Watershed Association

SaskPower was represented on the Board of Directors of the Upper Souris Watershed Association in 2011. The independent, non-profit organization works to improve water quality and quantity within the watershed and ensure that water is available for future generations for social, economic, environmental and cultural purposes. SaskPower's operations interact with the various waterways located in the Upper Souris Watershed. Our participation in the multi-stakeholder process will improve our understanding of the issues and challenges facing the watershed and ensure stakeholders are knowledgeable about our operations.

For further information on the activities of the Upper Souris Watershed Association, please visit uppersourıswatershed.ca.

SaskPower Shand Greenhouse

In 2011, SaskPower Shand Greenhouse celebrated its 20th anniversary of using waste heat from the adjacent Shand Power Station to produce and distribute seedlings for community planting programs, land reclamation, shelterbelts and wildlife habitat. During the year we distributed 520,000 seedlings from the greenhouse, bringing our total distribution to more than 7.9 million. Nearly 3,000 native plant seedlings were produced for revegetation and educational activities with the Canadian Wildlife Service, First Nations University of Canada and Wings Over Wascana.

Our efforts to educate future energy consumers about the impacts of their energy choices are anchored by our Energy and Environment Program. SaskPower Shand Greenhouse reached approximately 1,700 students through environmental education programs. Another 1,500 people visited the greenhouse through drop-in and guided tours.

For further information on the SaskPower Shand Greenhouse, please visit saskpower.com/shandgreenhouse.

Regulatory change

In Saskatchewan, our prescriptive environmental regulatory regime is transitioning to a results-based model where companies will be held accountable for results rather than directed how to achieve them. To support the results-based approach, amendments were passed to the following legislation:

- *The Environmental Management and Protection Act, 2010*
- *The Forest Resources Management Act*
- *The Management and Reduction of Greenhouse Gases Act*

The Saskatchewan Environmental Code is a new regulatory tool that is being developed to support regulatory reform. SaskPower is leading or participating in four code content committees with a direct impact on our current operations – Industrial, Greenhouse Gases, Air Management and Linear Activities. Once implemented, the code will streamline the environmental approval process by eliminating the need for permits and approvals for routine, low-risk activities. Implementation of the code and legislation is anticipated to take place in 2012.

SaskPower Shand Greenhouse 20th Anniversary

Shelley Heidinger

2011 marked SaskPower Shand Greenhouse's 20th Anniversary. For two decades, it has distributed seedlings – from spruce trees to saskatoon shrubs – to help offset some of the environmental impacts of generating electricity for the province, says Shelley Heidinger, Acting Manager, Shand Greenhouse.

Roughly eight million seedlings have been distributed. Packed in a box that reads 'SaskPower Shand Greenhouse,' each seedling that goes out is a way of giving back to our customers, says Heidinger.

"There's a lot of people we talk to on a daily basis who are so happy to have us here and doing what we do."

Economic Performance

Security of Supply

Reliability

Energy Efficiency and Conservation

Financial Performance

Customer Service

SaskPower is powering the growth of our provincial economy in Saskatchewan. In turn, the growth of our company is mirroring the growth of the province. This evolution brings its share of challenges – increasing demand for power, need to renew and replace aging infrastructure and continually evolving societal expectations. Rather than obstacles, we view these challenges as opportunities. SaskPower has an opportunity to pursue more environmentally responsible forms of generation, expand the electricity system in Saskatchewan and develop innovative ways to generate and deliver power to our customers. Our growth as a company is also inextricably linked to our long-term economic success as we evolve into a service-oriented company that treats our customers as partners.

The key economic issues for SaskPower include:

- Security of supply
- Energy efficiency and conservation
- Customer service
- Reliability
- Financial performance

Security of Supply

Planning for the future

At SaskPower, we are at the forefront of an unprecedented multi-year investment into renewing the province's electricity system. The context for this renewal is a combination of circumstances that are not unique to SaskPower and are being experienced by electric utilities throughout North America.

Aging infrastructure

The majority of SaskPower's facilities and equipment, such as power stations, power lines and power poles, were built in the 1950s and 1960s and are now in need of renewal. The need to rebuild, replace or acquire approximately 4,390 MW of capacity by 2034 illustrates the need to revitalize and reinforce our electricity system in Saskatchewan. We have plans to invest $10 billion in our infrastructure over the next 10 years.

Growing demand

The limitations of our existing infrastructure are further tested by the unprecedented growth in the province and increased demand from our customers. The demand from our industrial customers is forecast to double over the next nine years and is estimated to account for about 90 per cent of our overall load growth. During the next decade, system peak demand is expected to increase by 2.9 per cent per year, which is significantly higher than the 1.4 per cent demand SaskPower experienced over the past 10 years.

Evolving societal expectations

Our system needs to modernize to meet 21st century expectations for environmental performance, including new regulatory requirements for air emissions, land and water management, and stewardship and biodiversity. We work with regulatory bodies and government agencies to ensure we're complying with or exceeding provincial and national guidelines and regulations.

Capital expenditures (in millions)

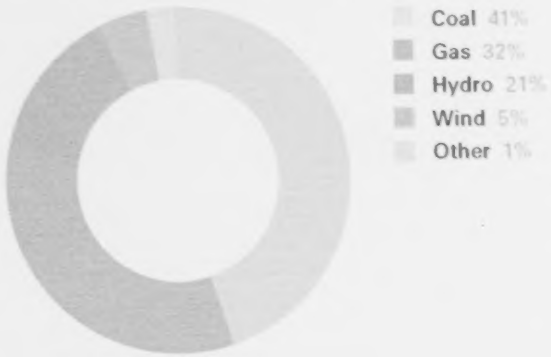
	2011	2010	2009	2008	2007
Generation	**$311**	$229	$369	$207	$107
Transmission & distribution	**253**	234	221	177	146
Other	**61**	75	50	38	27
Total	**$625**	$538	$640	$422	$280

To guide our decisions going forward, we have developed a sustainable energy strategy to meet Saskatchewan's growing needs. This plan balances the economic, environmental and social needs of the people of the province. It includes investment in generation options, as well as the renewal and expansion of our transmission and distribution infrastructure, to ensure we are able to deliver power to our customers in the future.

We initially developed our plan with a 25-year outlook. It was divided into short, medium and long terms. Given the lead time required for some potential supply options and the long-term planning horizons of our industrial customers, we extended our view beyond that. We are now in the process of finalizing the 40-year SaskPower Leadership Outlook. It provides a high-level strategic view of the supply issues and uncertainties facing SaskPower, as well as an analysis of the strategic environment, emerging issues and a framework of pathways to the future for consideration.

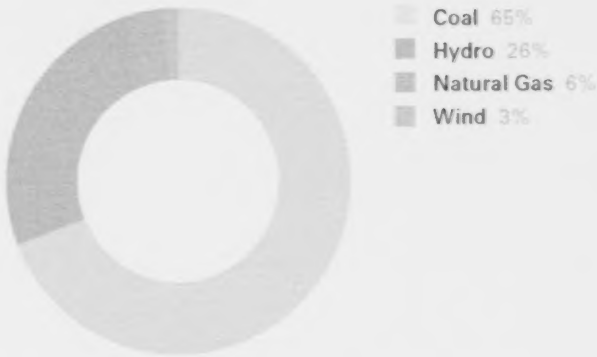
For further information on our future supply plans, please visit saskpower.com.

2011 Available Generating Capacity – 4,094 MW



2011 Gross Electricity Supplied — 21,611 GWh

2011 Electricity Supplied by SaskPower-owned Facilities — 18,119 GWh



Renewing infrastructure

To help meet the growing need for power, we are renewing our existing infrastructure. However, renewal alone won't meet Saskatchewan's future power needs. We must also add new capacity to meet the growing demand through the construction of new facilities or by entering into agreements with Independent Power Producers (IPPs). SaskPower is currently undertaking the following generation projects:

In 2011, the 86 MW Spy Hill Generating Station was commissioned. This natural gas-fired facility is operated through a power purchase agreement with Northland Power. The 26 MW Red Lily Wind Facility also came into service during the year. Algonquin Power & Utilities Corp. is operating the 16-turbine facility on behalf of the Concord Pacific Group.

For further information on our infrastructure renewal, please visit saskpower.com.

SaskPower New Capacity Additions

Facility	Description	Fuel	Capacity	Completion
Queen Elizabeth Power Station	Addition of three natural gas turbines, six steam generators and a steam turbine	Natural gas	200 MW	2015
Boundary Dam Power Station Unit #3	Transformation of Unit #3 into a generating unit capable of producing clean baseload electricity as part of the Boundary Dam Integrated Carbon Capture & Storage Demonstration Project	Coal	110 MW	2013
North Battleford Energy Centre	Construction of the combined-cycle, baseload facility through a power purchase agreement with Northland Power	Natural gas	261 MW	2013

Carbon capture and storage

SaskPower employs a diverse generation portfolio, producing electricity from coal, natural gas, hydro, wind and cogeneration. With an estimated 300-year supply in the ground, coal remains a strategic asset for SaskPower. Coal-fired generation currently accounts for more than 40 per cent of SaskPower's generating capacity. As such, we must find ways to continue to take advantage of this low-cost but emissions-intensive form of generation and keep it in our supply mix. We will make this happen through our innovative approach to carbon capture and storage.

In 2011, we took a significant step forward with our plans to pursue carbon capture and storage technology. Along with the Government of Saskatchewan, we formally announced in April that we will proceed with the construction of one of the world's first and largest integrated carbon capture and storage projects at Boundary Dam Power Station near Estevan. It will forge an environmentally sustainable path for the production of coal-fired electricity in Saskatchewan and around the world. We are undertaking this demonstration project to determine its technical, economic and environmental performance.

We are also partnering with Hitachi Ltd. to construct a carbon capture test facility at Shand Power Station near Estevan. This $60-million facility will allow international developers to fully evaluate the performance of their systems in capturing carbon dioxide emissions from coal-fired power stations. Construction will begin in 2012 and will be completed in the summer of 2014.

For further information on our carbon capture and storage initiatives, please visit saskpower.com or saskpowercarboncapture.com.

Renewable energy

SaskPower developed the Green Options (GO) Plan and the Green Options (GO) Partners Program in pursuit of additional supplies of emissions-free renewable power. Through these programs, wind power production in Saskatchewan will more than double in the coming years.

Green Options Plan

Under the GO Plan, SaskPower issued a competitive solicitation in late 2009 to procure up to 175 MW of wind power from one or more IPPs. The solicitation identified potential private sector partners with the interest and capability to help meet Saskatchewan's electricity supply needs. SaskPower received 26 proposals from 15 different proponents during the solicitation process, which was observed by a fairness consultant. We continued to review the proposals during the year, with the selection of the successful proponent set for 2012.

Green Options Partners Program

The GO Partners Program allows SaskPower to add smaller amounts of environmentally friendly generation to our system, including wind, solar, biomass, hydro, waste heat recovery and flare gas. More than 300 applications were received in 2011, with 20 new environmentally preferred power projects ultimately being selected. These projects will add about 50 MW of power to the grid through wind, hydro, flare gas, geothermal as well as methane gas from a landfill in Saskatoon.

Wind

When the new wind generation is brought into service, SaskPower will have more than 425 MW of wind power, which will make up about 8.5 per cent of SaskPower's total generating capacity – among the highest percentages in the country. This includes the 26 MW Red Lily Wind Facility, which was brought into service in 2011. The expansion of wind power will reduce the corporation's carbon dioxide emissions by approximately 225,000 tonnes a year.

Biomass

Through a partnership with the Meadow Lake Tribal Council that was announced in October 2011, we are further expanding our renewable energy portfolio. The biomass project, known as the Meadow Lake Bioenergy Centre, will use wood byproducts from the NorSask Forest Products mill near Meadow Lake to generate up to 36 MW of renewable, low-emissions power for the province of Saskatchewan. The project is scheduled to be in service in early 2014.

Renewable Programs for Customers	
Net Metering	Provides customers with the opportunity to generate their own power, through the use of renewable energy technologies, to a maximum of 100 kilowatts (kW) for the purpose of offsetting the customers' load and banking excess energy
Residential Geothermal & Self-Generated Renewable Power Loan	Provides low-interest loans to Saskatchewan residents to install a geothermal heating and cooling system or a renewable power system
Energy Efficient Rebate for New Homes (Residential Geothermal Rebates)	Provides rebates to residents who purchase a new home that is ENERGY STAR® qualified, R-2000 certified or has an EnerGuide for New Homes rating of 80 or above and want to install a geothermal system. Administered by SaskEnergy and funded by SaskPower and the Ministry of Environment
Commercial Geothermal	Provides rebates to business and farm customers installing a geothermal heating system in a new or retrofitted building
Alternative Farm Energy	Allows farm customers to use solar or wind-powered water pumps for irrigation, eliminating the cost of installing services in remote locations
Small Power Producers Program	Accommodates customers who wish to generate up to 100 kilowatts (kW) of electricity for the purpose of offsetting power that would otherwise be purchased from SaskPower or for selling all of the power generated to SaskPower

Status of Wind in SaskPower's System

SaskPower currently has 198 MW of wind power hooked up to the grid. This includes the Centennial, Cypress, Red Lily and SunBridge Wind Power Facilities.

The Green Options (GO) Partners Program, which enables SaskPower to purchase smaller-scale environmentally friendly generation from producers, also plays a role with up to 50 MW of wind power available in the first two years of the program.

"It's very successful," says Doug Opseth, Supply Development Supervisor, of the GO program, now in its second year.

A new project, scheduled to be commissioned in early 2017, will see approximately 177 MW of wind power coming from a private-sector developer. Combined, additional projects will add approximately 55 MW of wind power once completed.

Internal efficiency

To navigate the obstacles brought about by growth and aging infrastructure, we are adding new facilities and equipment to our inventory as well as renewing existing infrastructure. During the year we continued the modernization of our generating fleet. In order to strengthen our system, Boundary Dam Power Station Unit #5 received a major overhaul. SaskPower is also in the midst of a multi-year, $140-million investment to increase the efficiency and capacity of the company's hydro generating units.

In 2011, the following work was undertaken to increase operational efficiencies:

- A runner upgrade was completed on E.B. Campbell Hydroelectric Station Unit #7 in May 2011. The upgrades will increase the efficiency of the runner by approximately six per cent, allowing more energy to be produced with the same amount of water. A similar upgrade that began on Unit #8 during the year will be completed in 2012.
- Upgrade work began on Unit #4 at Island Falls Hydroelectric Station in 2011 and will be completed in 2012. Along with an increase in efficiency of approximately 5 per cent, the upgrades increased the turbine capacity from 14 MW to 18 MW.

Further efficiencies were gained through SaskPower's Rural Electrical Distribution Program. The program moves existing overhead lines in fields to road allowances based on the need to replace aging infrastructure, increase system efficiency and release system capacity through the reduction of electrical losses. During the year, we removed 2,356 poles greater than 30 years of age, 265 butt-treated poles that are at or beyond the end of their life and 889 nine-metre poles that are increasingly becoming a safety concern.

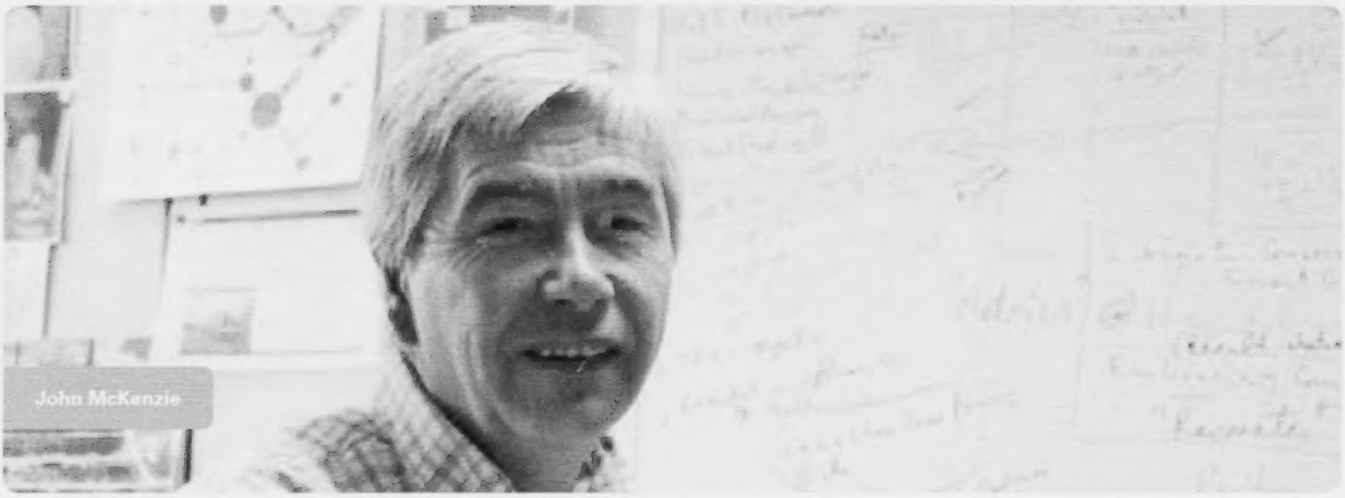
Rural Electrical Distribution Program Efficiency Savings

	2011	2010
Peak demand savings (kilowatts)	**871.2**	656
Energy savings (megawatt hours)	**7,631.9**	5,745

During the year, we achieved approximately 657,854 kilowatt hours (kWh) in energy savings at several SaskPower facilities by replacing inefficient incandescent and fluorescent lamps and fixtures with new compact fluorescent bulbs or light-emitting diodes (LEDs), as well as other energy efficiency measures. This is equivalent to the energy required to power approximately 75 Saskatchewan homes each year.

Boundary Dam Unit #3

Development Started on Long-term Supply Plan


John McKenzie

Planning for the longest-ever supply plan (40 years) is underway. The plan is one that acknowledges the ever-changing landscape of supplying power, explains John McKenzie, Manager, Strategic Corporate Development.

"We wanted to recognize that the regulatory environment is changing so quickly and that many of the tools that we would have used in the past simply weren't appropriate for the future," says McKenzie, who has led the integrated planning initiative called the SaskPower 40-Year Leadership Outlook.

The planning group takes into account the challenges of balancing environmental sustainability and cost. Another big issue is the high growth SaskPower has been facing of late. Twenty years down the road, McKenzie says, electricity growth will be close to three per cent, while in 40 years it will be more like two per cent, which creates quite a challenge.

The group is creating pathways that illustrate what the future could look like and evaluates the portfolios to see their strengths and diversity. They look at pursuing and expanding options such as gas, wind, hydroelectric, nuclear, carbon capture and storage, conventional coal, retro-fit coal and more, while still maintaining SaskPower's current assets. In each pathway, the group identifies the work, cost and time required to pursue it.

Renewable generation, such as wind and hydroelectric, are included to the highest degree possible because that's what people want to see, says McKenzie. One pathway being evaluated is 50 per cent renewable, which is "pretty aggressive," he adds. They are also evaluating gas, which is easy to build and affordable, but the cost of fuel can fluctuate. When it comes to nuclear, it's something that people worry about, but it's one of the best performers from an environmental and safety perspective, says McKenzie.

"In the power business, all the big generation pathways are usually pretty controversial," he says, adding that engaging the public to find out what they want and then enabling the appropriate assets to be built to carry out SaskPower's responsibilities is part of the equation.

With McKenzie's group providing the plans and illustrating the important issues, decision-makers have realistic options to look at when considering what's best for Saskatchewan.

Once the decision makers decide to go down a pathway, Brian Mohr, Manager, Sustainable Supply Development with Planning, Environment and Regulatory Affairs, will make the specific supply development plans and manage those processes.

Mohr says SaskPower has done a tremendous job of ensuring it can meet its loads by installing, developing or committing to over 1,700 MW of new supply in addition to extending the life of power plants. This work – done over the past five years – puts the corporation in a good position for the future, he adds.

"We're going to continue to ensure that we have the programs, initiatives and options available to us so we can continue to serve our load," says Mohr.

Energy Efficiency and Conservation

Demand side management (DSM)

SaskPower offers demand side management programming to help customers make informed decisions about reducing electricity consumption. It is delivered through a portfolio of energy efficiency, conservation and demand response programs, products and services. Education, financial incentives and energy savings are key components of our DSM strategy.

By working with customers to reduce and adjust electricity use, DSM programs lessen the demand for power and become a viable supply option for SaskPower. This lessens the impact on the environment and the need to build costly new infrastructure. It is estimated that 10-15 per cent of energy savings can be expected from the industrial market, 50-60 per cent from the commercial market, 30-35 per cent from the residential market and up to 10 per cent from customer self-generation with renewables.

Demand Side Management Accumulated Peak Savings

	2014	2013	2012	**2011**	2010
Target	68	56	46	**38**	38
Actual				**38**	29

SaskPower's energy efficiency goal is to deliver 100 MW of electricity savings by the end of 2017. With a current generating capacity of more than 4,000 MW, this is a small but growing part of the solution for SaskPower.

In 2011, our DSM programs achieved 9 MW in demand savings and energy savings of 26 gigawatt hours (GWh). To date, our total accumulated demand savings is 38 MW, along with energy savings of 81 GWh. It also resulted in greenhouse gas reductions equivalent to taking 16,000 vehicles off the road. The total energy saved would power approximately 9,400 Saskatchewan homes.

Demand Side Management Advisory Council

SaskPower created the DSM Advisory Council in 2011 to solicit advice and guidance from key stakeholders in the province. The Council will provide input into SaskPower's proposed approaches and strategies and support the development of our long-term DSM plan.

Demand Response Program

Large-scale commercial and industrial customers make up about 45 per cent of SaskPower's load. The Demand Response Program is a cost-effective way to support the company's electricity system reliability. When required by the Grid Control Centre, participating large customers reduce their electricity use at short notice.

In return, these customers – some of the province's largest industrial customers – are compensated for their readiness to reduce load, explains Marty Lelliott, Program Leader with Demand Side Management.

The program also enhances sustainability and cost savings by reducing the need to build new power stations and lines, says Garry Tollefson, Manager, Demand Side Management Programs.

"It has value to the company," he says.

Our current DSM initiatives include:

Program	Description	Energy savings in 2011 (MWh)
	Residential Programs	
Residential Appliances	Provides customers with the opportunity to reduce energy usage through the disposal of older, less energy-efficient refrigerators and freezers	8,600
Residential Lighting	Offers a series of rebates and exchange programs to encourage the use of energy-efficient devices – ENERGY STAR® lighting in particular – in partnership with retailers across Saskatchewan	2,300
Residential HVAC	Promotes the installation of ENERGY STAR® qualified furnaces with a high-efficiency, variable-speed blower motor and ENERGY STAR® qualified central air conditioning systems in partnership with SaskEnergy	320
Residential Plug Load (Block Heater Timer Program)	Focuses on saving power and promoting the awareness of energy-efficient technologies by controlling the amount of time electricity is supplied to a vehicle's block heater	4,500
	Commercial Programs	
Energy Performance Contracting	Offers energy management services to SaskPower's largest commercial and institutional customers through an alliance with Honeywell. The programs help reduce electrical demand and greenhouse gas emissions	2,100
Commercial Plug Load (Parking Lot Controller Program)	Increases awareness of energy-efficient technologies and delivers savings by providing an incentive to install controllers in electrified parking lots, which regulate the flow of electricity to outlets based on the outside temperature	2,000
Commercial Lighting	Provides financial incentives for commercial customers to purchase premium, energy-efficient lighting	1,800
Commercial HVAC	Provides business customers with an incentive rebate program to replace their HVAC systems with more efficient ENERGY STAR® qualified units in partnership with SaskEnergy	210

Block heater timer customer giveaway

Self-generated Electricity Demonstration Project for Rinks

Turbine being erected at Central Butte Rink

Two things that prairie dwellers know well are wind and hockey. From the softest breeze to the harshest force, wind is something that travels easily over our flat landscape and rarely goes unnoticed. Meanwhile, hockey is a favourite pastime that fills community rinks with loyal fans and the heads of young players with visions of greatness.

A new project brings both of these things together for a good cause: exploring the potential benefits of smaller-scale, self-generated wind power projects.

In June 2011, the SaskPower Self-generated Electricity Demonstration Project for Rinks chose four communities – Strasbourg, Shaunavon, Eatonia and Central Butte – to receive wind turbines. The turbines generate electricity to help offset the towns' power bills for their rinks.

Built in Canada, the same 50-kilowatt turbine model was installed at each of the four sites. This will provide a clear picture of the areas with the greatest potential for generation at the 30-metre (100 feet) height. Each turbine weighs nearly 8,200 kilograms and has blades that reach 7.5 metres in length and turn at a constant speed of 64 revolutions per minute. They can also operate in temperatures as low as -40 C. The turbines cost $275,000, but once installation, groundwork, grid connection and maintenance are factored in, the cost rises to $385,000.

The wind turbines are able to generate a potential of 120,000-kilowatt hours of power per year, which is roughly equivalent to powering 14 Saskatchewan homes annually.

Carol Schultz, the Mayor of Strasbourg, a town of 800, thinks the project is a great initiative.

"It's definitely history in the making for our province. Doing something like this with small communities and helping out their centres where people gather – it's really groundbreaking, I think," says Schultz.

Besides being community hubs, rinks were chosen for the project because they use a lot of electricity and can offer universal lessons on conservation and generation that SaskPower can apply to other operations.

Live performance and weather data from each turbine site are available on SaskPower's website. Over the summer of 2012, SaskPower will be installing energy monitoring equipment in the rinks so the website will show how much electricity each rink is consuming and the percentage that is coming from wind.

Customer Service

Customer focus

Strengthening our relationship with customers is a major priority for SaskPower. We are changing how we operate as a business in order to meet the changing needs and expectations of our customers around system reliability, new connection timelines, environmental performance, electricity pricing and customer communications. In turn, we have developed a Corporate Customer Strategy that will help us continue to evolve into a service-oriented company that treats customers as partners.

Saskatchewan Customer Accounts

	2011	2010	2009	2008	2007
Residential	**345,854**	340,518	334,684	328,719	321,183
Farm	**62,475**	61,577	62,245	62,712	63,384
Commercial	**58,118**	55,714	55,853	54,563	53,917
Oilfield	**15,437**	15,098	14,461	13,932	13,147
Power (industrial)	**99**	98	84	78	80
Reseller	**2**	2	2	2	2
Total	**481,985**	473,007	467,329	460,006	451,713

In 2011, work continued on the design and construction of new transmission lines to supply power to industrial customers:

- TransCanada Corporation facilities at Piapot, Grassy Creek, Fox Valley
- K+S Potash Canada facilities near Moose Jaw
- Mosaic facilities near Colonsay
- Potash Corporation of Saskatchewan (PCS) facilities near Allan and Spy Hill
- Cenovus facilities near Halbrite
- BHP Billiton facilities near Jansen
- Global Transportation Hub Authority facilities near Regina

Rates

At SaskPower, we make every effort to minimize rate increases and offer competitive rates to our customers. A reliable supply of electricity is essential to help sustain the growing provincial economy. Saskatchewan residents will benefit from a modern, efficient, reliable and environmentally sustainable power system, along with competitive rates. With our company facing a prolonged period of infrastructure renewal and growth, the future will be challenging.

SaskPower did not submit an application for a rate increase to the Saskatchewan Rate Review Panel in 2011. Nor do we have an increase planned for 2012. However, in order to continue energizing Saskatchewan's growth and make record investments in SaskPower's infrastructure, we will require regular, moderate rate increases in the future. We're committed to striking a balance between maintaining financial stability, ensuring affordability, delivering cleaner sources of energy and providing security of supply.

To ensure SaskPower's rates are competitive, we measure our rate structure against our thermal utility peers. Our objective is to keep rates at no more than 10 per cent above the national thermal utility average, taking into account our large operating area, small population base and pressures related to growth and infrastructure investments. Currently, our average rates are approximately 20 per cent below those charged by our industry peers.

Service Delivery Renewal

Through Service Delivery Renewal (SDR), SaskPower's renewal efforts extend beyond our aging infrastructure into all areas of customer service. The program is enabling us to revitalize our relationship with customers by focusing on people, processes and technology. SDR is a multi-year initiative that will improve service quality, productivity, efficiency and system reliability, while ensuring our employees are provided with the tools they need to do their best work.

Among those tools is the new Customer Relationship and Billing System, which was implemented in July 2011. It replaced an outdated, 25-year-old system that was becoming increasingly difficult to maintain. The new system is a critical part of SaskPower's renewal program. It ensures our electrical system can support the province's growth and sets the stage for the introduction of new programs to better serve customers. The implementation phase saw increased call volumes and higher than normal call wait times for our customers. Employees from other areas of the company were temporarily redeployed to help alleviate wait times and address customer concerns.

The new Customer Relationship and Billing System will help prepare for the launch of our Advanced Metering Infrastructure (AMI), which will provide near real-time data on electrical consumption. Through the installation of 500,000 smart meters, SaskPower will be able to identify outages quicker, provide remote customer connects and disconnects, and deliver greater consistency and reliability of service. In turn, customers will have access to more timely information about their power consumption. AMI is being launched in two test areas in 2012, with full provincial implementation to be completed by the end of 2014.

Reliability

Transmission and distribution system

The Reliability System Average Interruption Duration Index (SAIDI) is used to track SaskPower's performance in responding to outages. It is a measure of the average service interruption length in hours that a customer experiences in one year. The SAIDI is influenced by a number of factors, including adverse weather, equipment condition, line contacts, extent of outage, travel time to the trouble point, as well as power line technician availability, familiarity with facilities and level of experience.

SaskPower's SAIDI measured 6.4 in 2011, which was a greater average interruption length than the target and an increase over 2010. This was largely due to spring flooding and a number of severe summer storms, which resulted in a higher than expected length of outages. To improve performance, we are focusing on initiatives that will reduce outages that are considered controllable, including the Rural Electrical Distribution Program, Wood Pole Replacement Program and Vegetation Management Program.

Reliability System Average Interruption Duration Index (SAIDI)

	2014	2013	2012	**2011**	2010
Target	4.1	4.1	4.2	**4.1**	4.1
Actual				**6.4**	5.9

The Reliability System Average Interruption Frequency Index (SAIFI) represents the average number of outages that a customer experiences in one year. It takes into account controllable and uncontrollable interruptions. Outages with controllable elements include equipment failures, tree contacts, scheduled outages or loss of supply. Uncontrollable factors include lightning and other adverse weather conditions.

In 2011, SaskPower's SAIFI measured 2.6, which was a greater number of outages than the target and a slight increase from 2010. As with SaskPower's SAIDI, spring flooding and severe summer storms were largely responsible for the decline in performance.

Reliability System Average Interruption Frequency Index (SAIFI)

	2014	2013	2012	**2011**	2010
Target	1.8	1.9	1.9	**1.8**	1.8
Actual				**2.6**	2.5

In order to improve the reliability of SaskPower's transmission and distribution system, SaskPower undertook a number of initiatives during the year, including:

- Design and construction began on the Aberdeen switching station (east of Saskatoon) and a new 230-kilovolt (kV) transmission line between the Aberdeen and Wolverine switching stations. The new construction will help reinforce the grid in the Saskatoon area, lower operating costs by reducing power losses and improve the overall power system reliability in Saskatchewan. The new switching station and line are anticipated to be in service in 2013.
- The integration of new gas-fired generation at the Tantallon switching station was completed.

We are also preparing for increased demand from oilfield activity in the Estevan area by building two new substations and converting the existing Halbrite East substation into a switching station. New transmission lines are also being constructed to integrate these stations to the SaskPower system. Despite the increase in construction activity, our overall transmission lines in service actually decreased by 129 km in 2011 as we were able to salvage some existing lines.

Lines in service

	2011	2010	2009	2008	2007
Transmission lines	**12,576**	12,705	12,404	12,311	12,216
Distribution lines	**139,390**	137,380	137,093	136,807	136,593
Total lines in service	**151,966**	150,085	149,497	149,118	148,809

Wood Pole Maintenance Project

SaskPower has an estimated 1.2 million treated wood power poles in service across Saskatchewan. The Wood Pole Maintenance Project is an ongoing test and treatment program that focuses on safety, reliability and environmental considerations. Where possible, the lives of these poles are extended through reinforcement and specific treatments. This precludes us from harvesting new trees for wood poles and reduces the number of poles disposed of in municipal landfills.

In 2011, Dr. Paul Cooper, considered Canada's senior authority on wood preservation standards, reviewed our wood pole program and procurement policies and ranked them very high in comparison with other North American utilities. Dr. Cooper's feedback also led to us making changes to our standards for pole species and treatment requirements, which will allow us to extend the life of our wood power poles.

Emergency preparedness

During the course of the year, SaskPower facilities may be exposed to the effects of severe weather, natural disasters and man-made events (including cyber and physical attacks). Although constructed, operated and maintained to industry standards, our facilities may not always withstand these occurrences.

To prepare for these circumstances, SaskPower has business continuity and emergency plans to deal with a variety of adverse events. In 2011, we undertook the following activities:

- We engaged an external consultant to benchmark our Business Continuity Management Program against the best practices in the industry. The consultant's report will be used to guide further development of our program in 2012.
- During the spring flooding and storm season in 2011, we used the Incident Command System to manage incidents. Early results indicate that the system enabled us to improve our communications and resource management. We will continue to deliver training in 2012.
- SaskPower continues to assist with efforts to update the Saskatchewan Provincial Emergency Plan as a member of the Provincial Emergency Management Committee.

To reduce the potential consequences that would result in the unlikely event of a dam failure, Emergency Preparedness and Response Plans (EPRPs) were updated in 2011 for the dams at the Nipawin and E.B. Campbell Hydroelectric Stations. An external consultant has been hired to assist in the development of EPRPs in 2012 and 2013 for the cooling reservoir dams and ash lagoon facilities at Boundary Dam and Poplar River Power Stations, as well as the dams at Island Falls Hydroelectric Station.

Reliability standards

Due to SaskPower's interconnections with Manitoba, Alberta and North Dakota, disturbances in the Saskatchewan system can affect parties outside of the province. Conversely, disturbances originating outside of Saskatchewan can result in the disruption of service to customers here. Given this risk, utilities recognize the benefits of planning and operating their systems to an agreed set of standards to minimize the likelihood of large-scale disturbances.

The North American Electric Reliability Corporation (NERC) is an industry organization that develops reliability standards for the planning and operation of the interconnected electric system. SaskPower is committed to adopting the applicable NERC reliability standards for the planning and operation of the Saskatchewan bulk electric system.

Financial Performance

Strong financial management

Continuing a trend of recent years, SaskPower had another strong financial performance in 2011. SaskPower's consolidated income before unrealized market value adjustments was $239 million, compared to $223 million in 2010. The increase in earnings was primarily due to higher Saskatchewan electricity sales. The return on equity was 13.2 per cent, down 0.2 percentage points from the previous year. SaskPower did not declare any dividends payable to CIC. In 2012, our income before unrealized market value adjustments is expected to be $157 million, resulting in a return on equity of 7.6 per cent.

For further information on our financial position, please see the 2011 SaskPower Annual Report.

Financial indicators

(in millions)	2011	2010	Change
Revenue	**$ 1,837**	$ 1,691	$ 146
Expense	**1,598**	1,468	130
Income before unrealized market value adjustments	**239**	223	16
Net income	**248**	204	44
Capital expenditures	**625**	538	87
Long-term debt	**2,707**	2,708	(1)
Short-term advances	**251**	159	92
Financial lease obligations	**555**	412	143
Return on equity[1]	**13.2%**	13.4%	(0.2%)
Per cent debt ratio[2]	**63.0%**	63.0%	—

1 Return on equity = (income before unrealized market value adjustments)/(average equity)
2 Per cent debt ratio = (debt)/(debt + equity), where debt = (long term debt + short term advances + finance lease obligations + bank indebtedness – debt retirement funds – cash and cash equivalents)

Contributions to the economy

In 2011, SaskPower contributed nearly $1.7 billion to the provincial economy through the procurement of goods and services from Saskatchewan suppliers; employee salaries, wages and benefits; purchase of coal; and the acquisition of electricity from Independent Power Producers.

Our contribution to Saskatchewan's economy included $20 million in grants-in-lieu of taxes payable to local governments, as well as $66 million in coal royalties, water rentals and provincial corporate capital tax payable directly to the Province of Saskatchewan. We also collected $52 million in municipal surcharges for redistribution to more than 400 cities, towns and villages.

Payments to governments

(in millions)				
2011	2010	2009	2008	2007
$143	$130	$123	$114	$122

* As per CEA Sustainably Electricity Program guidelines, may include federal or provincial income taxes; GST and PST; dividends paid in lieu of taxes; debt retirement payments; payments made to a government shareholder/owner of a utility/realty; business taxes or grants paid in lieu of taxes to a municipality; provincial government payments for hydroelectric or other water use rights; payments made for emissions charges; fees for crown land leases or annual rental payments; and any other required payment or contribution to a government department or agency.

Total annual value of all employee compensation ($ per T4s and T4As)

(in millions)				
2011	2010	2009	2008	2007
$293	$296	$269	$246	$235

* Reported values are actual figures that have been included on SaskPower employees' T4 or T4A forms. These do not include any contractor payments made via disbursement accounting.

Renewing our business

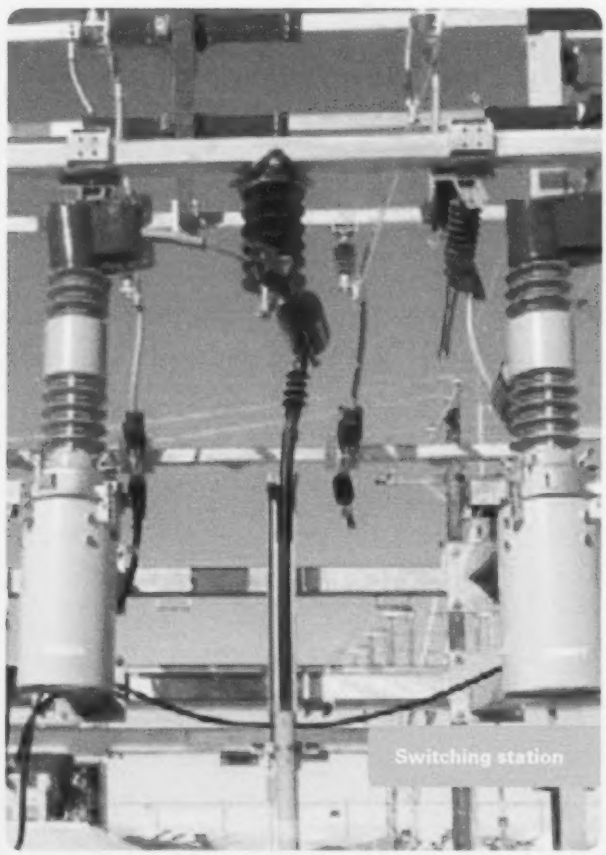
Our stakeholders expect SaskPower to operate as an efficient, well-run company. To meet those expectations, we are in the midst of implementing the SaskPower Business Renewal Program, which will enable us to eliminate, control or avoid a cumulative total of $2 billion by 2020. By reviewing all opportunities to increase efficiency and effectiveness, we are working to reduce costs and improve performance. Success with this program will assist SaskPower in reducing the upward pressure on rates.

We're benchmarking our performance against other electric utilities around the world and have conducted a review of our operating, maintenance and administration (OM&A) budgets; fuel procurement practices; and capital spending program. SaskPower has set a long-term target of reducing OM&A costs to 20 per cent of total revenue through steady annual improvements.

Third-party consultants completed a second round of reviews in 2011, identifying among things, procurement and asset management as key savings opportunities. In 2012, the Business Renewal and SDR Programs will bring forward projects that have the potential to produce significant savings.

Doing business with SaskPower

Through the Business Renewal Program, we conducted a survey with suppliers in 2011 and identified opportunities to make it easier for them to do business with SaskPower. In preparation for the July 1, 2012, implementation of the New West Partnership Trade Agreement, which creates Canada's largest barrier-free trade market between British Columbia, Alberta and Saskatchewan, we are establishing an enterprise approach to managing procurement that will ensure we are responsive to suppliers and better able to meet their needs. This includes redesigning and streamlining processes and procedures to achieve greater efficiencies – internally and externally.



Switching station

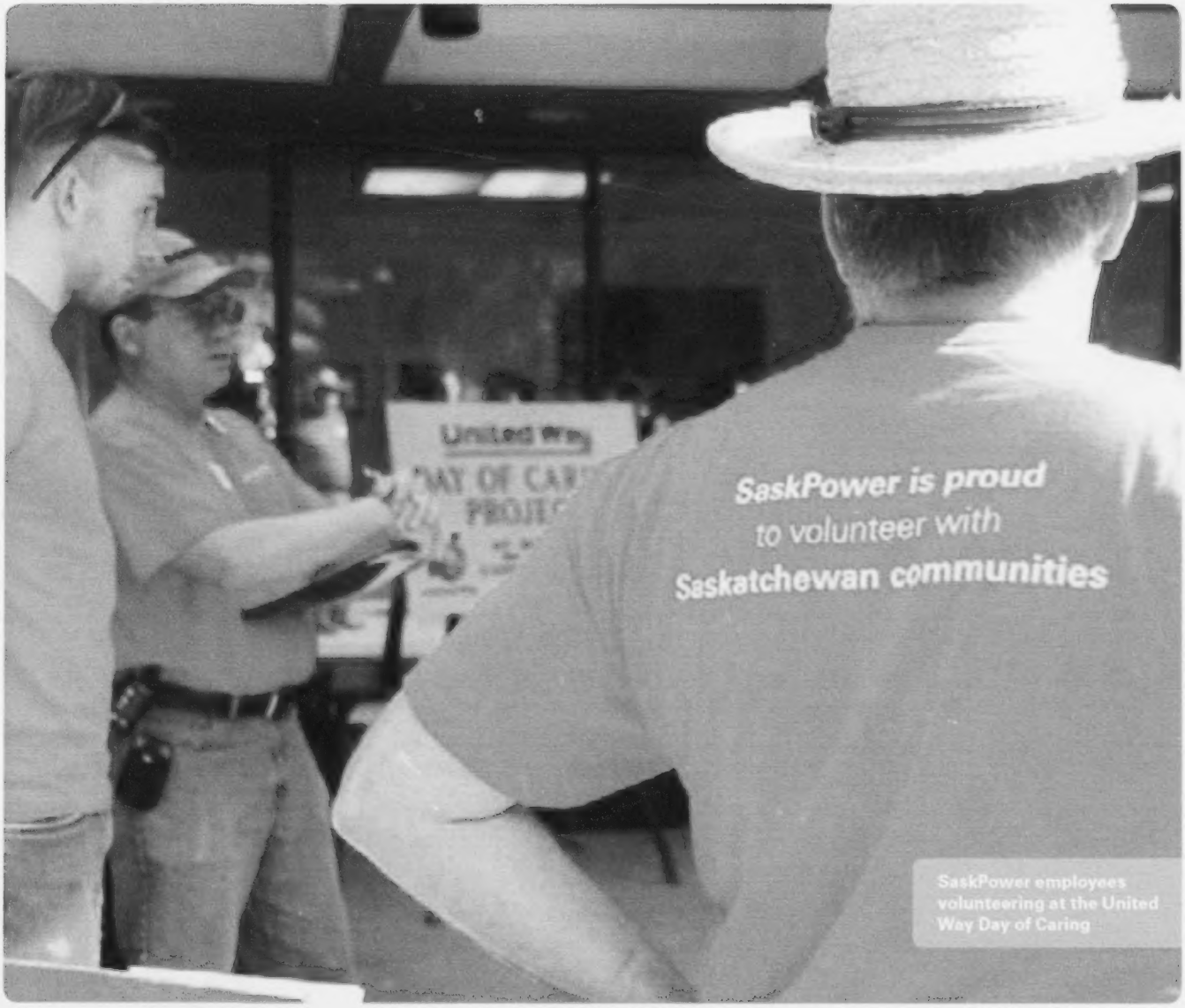
Social Performance

Aboriginal and Stakeholder Relations

Our People

Safety

Community Involvement



SaskPower employees volunteering at the United Way Day of Caring

Saskatchewan is currently one of the fastest-growing provinces in Canada. More than 17,000 people moved here in 2011, bringing our total population to 1,067,612 at the end of 2011. This is the largest number of people that have ever called Saskatchewan home and is directly linked to our strong provincial economy.

From a growing economy to an expanding population, our strengths as a province are numerous. As a company, they provide us with plenty of possibilities, such as the opportunity to expand our provincial system and a greater pool of potential candidates to help us power the future. Yet, with our increasing population and strengthening economy, we are now starting to encounter issues that were previously faced by more densely populated areas. An expanding network means SaskPower facilities are now encroaching on areas that were previously untouched. Thus, there is a need for greater consultation and engagement. Our provincial First Nations are an important part of this process. If we are to keep moving forward as a province and a company, we will need to engage First Nations in a meaningful way with employment and business development opportunities.

Our key social issues are:

- Aboriginal and stakeholder relations
- Our people
- Safety
- Community involvement

Aboriginal and Stakeholder Relations

Engaging with our stakeholders

With SaskPower in the midst of implementing strategies to overcome the challenges presented by aging infrastructure and a growing demand for power, it has never been more important in our company's history to reach out and engage with stakeholders. Developing mutual avenues of communication and maintaining ongoing dialogue with our stakeholders are essential to our business at SaskPower. Creating these channels of discussion enables SaskPower to share pertinent information, receive feedback, address concerns, respond to questions, and create an understanding of our projects and future plans. Most importantly, clear, two-way communication with our stakeholders will allow us to make fully informed and sustainable decisions on issues that are important to the people of Saskatchewan.

In 2011, SaskPower officials addressed more than 40 separate audiences at events throughout Saskatchewan. This included meetings in approximately 22 communities that allowed us to present information on our future supply plans to local community leaders and other important stakeholders. Organizations also received electrical safety information and learned about our plans to incorporate more wind generation into Saskatchewan's power grid and develop our world-leading Boundary Dam Integrated Carbon Capture and Storage Demonstration Project.

Memorandum of Understanding Signed with First Nations Authority

Dignitaries participating in the March 2011 signing ceremony included:

From left: Honourable Ken Cheveldayoff, then Minister of First Nations and Métis Relations; Honourable Rob Norris, then Minister Responsible for SaskPower; Premier Brad Wall; Guy Lonechild, then Chief, Federation of Saskatchewan Indian Nations; and Ben Voss, Chair, First Nations Power Authority.

March 29, 2011, marked a historic day for SaskPower, the First Nations Power Authority (FNPA) and the Government of Saskatchewan. At a ceremony at the Saskatchewan Legislative Building, Premier Brad Wall signed a Memorandum of Understanding (MOU) to collaboratively and cooperatively look at power generation projects in the province.

"It's a partnership that's intended to be beneficial for all parties involved," says Brian Mohr, Manager of Sustainable Supply Development, who was part of the team that negotiated the MOU.

Wayne Rude, Manager, Aboriginal Relations, and his group also worked to negotiate the MOU.

"It'll be a single-desk approach to screening and advancing viable projects," says Rude.

The First Nations Power Authority was formed in the fall of 2010 as a non-profit, membership-based corporation open to all 74 Saskatchewan First Nations. The FNPA is intended to help facilitate participation by First Nations communities in electricity generation development.

There has been long-standing interest by First Nations to partake in generation projects, but without a central body it was difficult to find support with the financial, technical and operational experience needed to move projects forward, Mohr says.

"One of the benefits of this approach is that we can share our supply needs and our future plans with the First Nations Power Authority, and then they can share that with their members and help to (identify) projects that might have the best fit for SaskPower's supply needs," he says.

Rude says it's about aligning SaskPower's strategic needs for new generation supply with First Nations' desires for broader economic participation.

"I think the message it sends is that there (are) opportunities," says Rude. "There's going to be a lot of generation capacity needed in Saskatchewan over the next 20 years."

The MOU will allow First Nations to bring project ideas to the FNPA, and then the FNPA will work with SaskPower to move forward.

"These types of projects bring a certain amount of economic benefit and wealth to the communities and so it provides an avenue to ensure those benefits are distributed and are available in a fair and reasonable way for the project," says Mohr.

Mohr and Rude believe the agreement with the FNPA is unique.

"This model, in our understanding, it's never been pursued," says Rude.

Aboriginal relations

Working with Saskatchewan's Aboriginal communities

In the fall of 2011, SaskPower's Aboriginal Relations Department developed an Aboriginal Relations Strategic Framework to help guide our efforts in working with Saskatchewan's Aboriginal communities in four main areas – business development, community engagement, community investment and employment. We are committed to consulting and working with Aboriginal communities in the early stages of projects that may impact them. In turn, we are incorporating traditional knowledge and community input as we proceed. With the Strategic Framework in place, we will continue to work to overcome our challenges and any differences of opinion through sincere dialogue and long-term relationships based on trust, respect and understanding.

In late 2011, Mâwandônan Consulting delivered a workshop about the "duty to consult" for key SaskPower officials and Crown Investments Corporation representatives. The workshop provided participants with information regarding SaskPower's duty to consult and their involvement in the process. Workshop participants examined how relationships can be created through the consultation process, as well as other aspects of the relationship between SaskPower and Aboriginal communities, including:

- Discussing ways in which historical issues can serve as the basis for consultation with Aboriginal people;
- Creating an environment where issues and questions can be freely discussed; and
- Building bridges between Aboriginal and non-Aboriginal people through education and communication.

Partnerships

SaskPower actively seeks out partnership opportunities with Aboriginal communities and organizations across the province with the intention of developing business relationships, supporting economic development and encouraging meaningful dialogue. During the year, we focused on identifying and providing employment and other business opportunities to Aboriginal communities, businesses and people.

On March 29, 2011, the Government of Saskatchewan, SaskPower and the First Nations Power Authority (FNPA) signed a Memorandum of Understanding (MOU) regarding future electricity generation development by First Nations in the province. The MOU formalized the process for establishing an agreement between SaskPower and FNPA, which is scheduled to be completed in 2012.

In October 2011, we signed a letter of intent with the Meadow Lake Tribal Council (MLTC) to generate up to 36 MW of renewable power through a forestry biomass facility. The 25-year power purchase agreement will provide MLTC with employment opportunities and economic benefits, while the additional generation will help SaskPower meet the growing demand for power in the province.

SaskPower became a member of the Canadian Council on Aboriginal Business in 2011 and adopted the Progressive Aboriginal Relations Certification Program (PAR). PAR is a unique certification program and strategic management tool that allows companies to incorporate best practices and track their performance on the achievement of business objectives and continual improvement.

Furthering our efforts to explore partnerships and business development, SaskPower seeks opportunities to procure goods and services from Aboriginal suppliers. In 2011, SaskPower procured more than $13.1 million in goods and services from among the 320 First Nations and Métis vendors on our bid list. This is nearly double the amount spent in 2010. SaskPower also provided 19 Aboriginal organizations and events with more than $72,000 in sponsorship funding during the year.

Training and development

SaskPower sponsored three Aboriginal students during the year to complete an environmental training program at Building Environmental Aboriginal Human Resources (BEAHR), a division of EcoCanada. The students gained an enhanced knowledge of environmental monitoring with a strong focus on cultural issues. Upon the completion of the seven-week program, which combined indigenous knowledge with western science, the students earned an Environmental Monitor Certificate.

Building Environmental Aboriginal Human Resources (BEAHR) Training Program

The Building Environmental Aboriginal Human Resources (BEAHR) program was launched in Saskatchewan on March 28, 2011. The program aims to build capacity in First Nation communities on duty to consult processes, environmental legislation and resource development. It is jointly funded by SaskEnergy, SaskPower, SaskWater, CIC, and the Ministry of First Nations and Métis Relations and Ministry of Environment.

"Building First Nation capacity in environmental monitoring enhances the community's ability to meaningfully participate in consultation activities with government and industry," says Wayne Rude, Manager, Aboriginal Relations.

Project consultation

Dialogue with stakeholders – customers, communities, businesses, regulators and governments – is essential when beginning work to construct new infrastructure or undertake significant upgrades to existing facilities. Commonly, SaskPower's consultation includes early contact with local officials, distribution of detailed project information, open house sessions, meetings with individuals and interest groups, public announcements, advertisements, and direct correspondence and discussion. Results of our consultations are frequently included in project applications and approval processes filed with regulators.

In 2011, SaskPower initiated formal consultations on five transmission projects – TransCanada Corporation Keystone Fox Valley Transmission Line, TransCanada Corporation Piapot Grassy Creek Transmission Line, TransCanada Corporation interim projects in two locations, Saskatoon North and East Reinforcement Projects, and PCS Rocanville and Scissors Creek Transmission Line. For these projects, we delivered 41 presentations to rural municipality, city, town and village councils and held 10 public open houses.

A clear example of the effectiveness of SaskPower's stakeholder engagement is the improved outcomes from the PCS Rocanville and Scissors Creek Project. As a direct result of input from stakeholders during the consultation process in 2011, the final line locations are significantly different from those that were originally proposed, with over half of the length of the line being adjusted to accommodate landowner preferences. The new line is being constructed with the support of landowners and other stakeholders. An additional benefit is that the resulting right-of-way provides us with improved access for construction and maintenance activities.

Advance consultations with community stakeholders in 2011 also played a prominent role in a large transmission upgrade and expansion project in northern Saskatchewan. We engaged with northern First Nations and Métis, as well as their respective communities, to provide information on the projects. SaskPower received important and valuable feedback from the Lac La Ronge Indian Band, Peter Ballantyne Cree Nation, Village of Pinehouse, Northern Settlement of Brabant Lake, Northern Village of Sandy Bay and Northern Town of La Ronge.

Account Manager Gwynn Morris and Project Manager Dana Turnbull

Our People

Workforce planning

The advanced age of SaskPower's infrastructure and the growing demand for power in Saskatchewan are the two greatest challenges currently facing SaskPower. However, it is becoming increasingly difficult to ensure our company has the people in place to meet these challenges. Over the next 10 years, more than 30 per cent of SaskPower employees are eligible to retire. Compounding matters, over half our senior leadership is eligible to retire over the next five to seven years.

With this retirement bubble on the horizon, we are focused on strengthening our succession planning, knowledge transfer, recruitment and retention. To that end, we introduced a new five-year Workforce Plan in 2011, which identifies areas with a high number of expected retirements. This plan integrates with our existing sourcing strategies and provides a forward-looking needs assessment to ensure we have the necessary skills in place as we move into the future.

Number of permanent full-time employees

2011	2010	2009	2008	2007
2,701	2,727	2,653	2,541	2,488

SaskPower was once again named one of Saskatchewan's top 20 employers in 2011. This award will assist in our recruiting efforts, but awards alone will not be enough as the competition for employees continues to intensify in Saskatchewan and across Western Canada. To assist in these efforts, we have increased our social media presence and continue to meet face-to-face with prospective employees at more than 100 recruiting events each year. Electricians, industrial mechanics, power line technicians, engineers and electrical engineering technologists are the positions most in demand as retirements increase, but the services of other professionals and specialists will also be essential.

In 2011, collective bargaining agreements were reached with SaskPower's two unions. The International Brotherhood of Electrical Workers (IBEW) Local 2067 ratified a two-year agreement and the Communications, Energy and Paperworkers (CEP) Local 649 signed a three-year agreement. Both union agreements had expired prior to ratification.

Employee engagement

Employee engagement remained a specific area of focus at SaskPower during the year. We place importance on this measure because engaged employees generally say positive things about their company, want to stay with their employer and strive to do their best work to help the company succeed.

SaskPower is committed to measuring and improving employee engagement on a regular basis. We did not undertake an engagement survey in 2011 as we developed a new approach to measuring employee engagement. Rather than relying on lengthy annual surveys, we will be conducing shorter surveys on an ongoing basis in order to keep track of engagement levels and measure progress consistently. Engagement results will now be reported as an index value that compares our scores to relevant benchmarks. The index will also use measurements such as retention to give a more accurate analysis of employee engagement.

Diversity

Developing a diverse workforce that is representative of Saskatchewan's working age population continues to be an area that we pay particular attention to at SaskPower. This will assist us in attracting, recruiting and retaining a more knowledgeable, educated workforce, in accessing diverse suppliers and establishing productive relationships in diverse communities.

In 2011, SaskPower was recognized as one of Canada's Best Diversity Employers. Among the reasons we received this recognition for the third consecutive year is that we maintain a Diversity Department within Human Resources that develops programs and initiatives to improve workplace diversity and inclusion. SaskPower also shares employment opportunities with more than 40 community organizations to ensure that we reach a diverse pool of potential applicants.

SaskPower hired 56 diversity employees during the year, while 39 diversity employees left the company. The result was below our target due in part to the temporary company-wide hiring review that limited the number of external hires, as well as hiring restrictions related to the Saskatchewan provincial election in November 2011.

Net increase in diversity employees

	2014	2013	2012	**2011**	2010
Target	75	70	65	**60**	85
Actual				**17**	30

A joint union/management Diversity committee provides advice and guidance to our Diversity Department. This committee acts as an umbrella for internal affinity groups – Aboriginal Employees

Network, Network of Employees for Disabilities, Visible Minorities Network, Women's Resource Group and the Lesbian, Gay, Bisexual and Transgender Network. Through the Diversity Committee and the affinity groups, we are working to become the employer of choice within these communities.

District Operating Supervisor Roland Giroux

Developing leaders

To lead the company into the future, SaskPower is taking steps to develop better leaders. After a successful pilot project in early 2011, we launched the Leadership Development Program to help vice-presidents and senior managers in the company become better leaders and position the company for future success. The program consists of seven days of training spread over three months with a focus on change communication, strategic planning, credibility and techniques to improve managerial and leadership responsibilities.

Workplace Learning and Performance

SaskPower's Workplace Learning and Performance group is working to ensure the right people are in the right positions, with the right skills to perform to the best of their abilities. The department strives to address people challenges, such as retirements and employee turnover, by enhancing current employee performance; managing the apprentice program for the line trade; and developing a workforce planning, skills development and knowledge transfer area.

In 2011, Workplace Learning and Performance focused on these areas:

- Workforce requirements and planning
- Qualification management
- Power Line Technician Apprenticeship Program
- Human performance improvement
- Knowledge management

SaskPower Safety Policy

SaskPower is committed to the health, safety and well-being of its employees, contractors and everyone exposed to our facilities. We are all responsible for protecting the health and safety of ourselves and others.

Our beliefs

1. Health and safety are an integral part of every job
2. We can conduct our business without injury
3. All incidents are preventable

Our vision

Making safety as important as anything we do and a part of everything we do.

In pursuit of our goal of zero incidents, we shall:

- Actively prevent incidents and injuries and improve safety performance;
- Improve our Safety Management System continually through setting and monitoring objectives; and
- Comply with occupational health and safety legislation and corporate commitments.

Safety

At SaskPower, safety is as important as anything we do and part of everything we do. These words make up our safety vision and illustrate the importance we place on safety for employees, contractors and the public. Under the direction of the SaskPower Corporate Safety Department, we exceeded our Safety Index target again in 2011. The company's goal last year was 2.3, but scored 2.0. A lower score indicates better performance.

The Safety Index measures how well SaskPower's performance compares to its safety targets by looking at leading indicators, those that identify proactive activities focused on preventing incidents, and lagging indicators, which measure the occurrence of safety incidents. We've surpassed our targets since the system was implemented, but our results in 2011 present us with opportunities to improve as we continue to develop our safety culture.

Safety index

	2014	2013	2012	**2011**	2010
Target	1.5	1.5	2.0	**2.3**	2.5
Actual				**2.0**	1.8

At SaskPower, Corporate Safety employs a team of safety professionals who support SaskPower's commitment to being an industry leader in health and safety performance and in providing a workplace and public service free from harm or damage. It is also responsible for development, administration and maintenance of SaskPower's safety strategy, General Health and Safety Policy and Safety Management System.

Public safety

Education and awareness

Safety is a fundamental element of SaskPower's mission to provide safe, reliable and sustainable power to our customers. As part of our safety commitment, we regularly provide our customers with electrical and gas safety information through advertising campaigns, print and interactive material, public service announcements, media relations activities, and face-to-face communication at trade shows and public presentations.

Partially as a result of these education efforts, we did not record a public line side fatality for the third consecutive year. This measurement tracks fatalities that occur as a result of contact with SaskPower lines or electrical equipment by members of the public.

Public line side fatalities

2011	2010	2009	2008	2007
0	0	0	1	2

* Includes fatal electrical incidents involving persons not in the employ of, or under contract to, SaskPower, and that occur as a result of contact with SaskPower lines or electrical equipment

In 2011, SaskPower participated in the following public education initiatives:

- Farm electrical safety – SaskPower ran two farm safety campaigns – one during spring seeding and one during fall harvest – to remind farmers of electrical safety risks and what to do if they contact a power line or come across a downed line. We also continue to use a live high-voltage display with actual power equipment to demonstrate electrical hazards at agricultural shows in Saskatchewan.
- Gas and electrical safety – Through our Gas and Electrical Inspections division, we provide permits and inspections to ensure the safe installation and operation of gas and electrical equipment. In the fall and winter, SaskPower runs campaigns to inform the public about the dangers of carbon monoxide and the safe use and maintenance of gas appliances and propane heating equipment. We also educate the public on the proper care and installation of their gas and electrical equipment, as well as the safe use of propane in recreational activities.
- Hydro facility safety – To raise awareness with outdoor enthusiasts and local residents about the dangers of fishing and boating near our hydro facilities, SaskPower runs a targeted campaign warning the public to stay away from dangerous areas.
- Flood safety – The spring of 2011 brought a near record amount of flooding throughout the province. SaskPower provided property owners in high-risk areas with key information about their electrical and gas service and equipment before, during and after the flood.
- Meter reader safety – At various times throughout the year, we conduct public campaigns to help minimize the risks and injuries to our meter readers on customer premises. In 2011, the campaigns focused on dog bite awareness and clearing a path to electricity/gas meters during the winter.
- Call Before You Dig – In conjunction with our partner, Sask 1st Call, we conduct advertising throughout the year encouraging anyone planning to dig or excavate to call in advance to have underground lines located.

Safety Culture Survey Completed by Employees

In late fall of 2011, employees were asked to complete a survey on the company's stance on safety.

The feedback went to Glenda Barton, Chief Safety Officer, and the Safety Leadership Team to help them set the tone and priorities when it comes to safety for the next five years.

With many changes happening in the world of safety at SaskPower in past years, the survey aimed to find out whether employees have felt the impact of these changes.

"While I am pleased with the improvements that were highlighted in the survey, we also recognize that we have more to do to achieve our goal of a total safety culture," says Barton.

With that goal in mind, the Safety Department reviewed the results and put specific action plans in place to further improve SaskPower's safety culture. These actions are underway in 2012 and include measures to elevate awareness and acceptance of safety accountabilities.

SaskPower employees also provided safety information at 32 trade shows throughout the year and addresses to delegates at five conferences. Through Corporate Safety, SaskPower continues to be involved with 16 different partnerships directly related to safety.

Occupational health and safety

Safety awareness at SaskPower

Safety has improved at SaskPower in recent years, but there is still work to be done. As evidence, concerns about employee safety at SaskPower brought the company to a standstill in late 2011. The first-ever Safety Stand Down was held on December 1 to address concerns with the number and severity of safety incidents at SaskPower up to that point in the year. There had been more than 117 injuries recorded – one critical and 17 major. SaskPower President Robert Watson and Chief Safety Officer Glenda Barton voiced their concerns on the company-wide conference call before providing employees with an opportunity to ask questions. Following the conference call, all business units and support groups spent time talking about safety issues specific to their areas.

SaskPower had already started placing a greater focus on safety earlier in the year. In May 2011, two safety charters were signed at the SaskPower Safety Summit in Saskatoon, recommitting our company to the Mission Zero initiative. Mission Zero was originally created by WorkSafe Saskatchewan in an attempt to have no injured employees in Saskatchewan. President Watson re-signed the Leadership Charter to reaffirm our commitment to safety. The vice-presidents of Transmission & Distribution, Customer Services, and Power Production also signed our company's first Health and Safety Leadership Charter, thereby marking our commitment to an injury-free workplace.

Leading the way in safety at SaskPower during the year were the more than 100 employees at Shand Power Station near Estevan. Shand went 365 days without recording a lost-time incident. This marks the longest period without an incident at Shand since 2002.

Educating employees about safety

Furthering our commitment to safety at SaskPower, we implemented our new Drug and Alcohol Program in 2011. This program strives to prevent workplace safety incidents by providing support to employees in need of assistance by ensuring they are fit for work. All employees are required to attend a mandatory Drug and Alcohol Program awareness session, while supervisors are receiving training to learn about managing drug and alcohol issues in the workplace.

For the third year, Corporate Safety provided Six Days for Safety training, which provides supervisors with an understanding of their roles and responsibilities and the tools necessary to ensure the safety of their employees. Over three years, 70 per cent of SaskPower supervisors have participated in this training. In addition, Corporate Safety welcomed 181 employees to SaskPower by providing safety information at nine New Employee Orientation sessions throughout the year.

To acknowledge SaskPower employees for their safety contributions, a new Safe Behaviour Recognition Program was approved in 2011 and came into effect on January 1, 2012. The program includes the following awards: Safety Jacket, Safe Driving, Lifesaving, Significant Safety Achievement and Registration Unit Safety Achievement.

New Drug and Alcohol Program

SaskPower's Drug and Alcohol Policy came into effect on January 1, 2011, along with a one-year transition period to fully implement the policy. The policy provides a consistent framework for preventing and/or addressing situations where employees and contractors may jeopardize the safety of themselves or others due to drugs and/or alcohol.

Glenda Barton

"It's all about preventing incidents and getting people the help that they need," says Glenda Barton, Chief Safety Officer.

The policy states employees or contractors will not use, distribute or offer for sale alcohol and/or illegal drugs while at work. It also states they should be fit for work at all times and not be under the influence of drugs and/or alcohol, including the adverse effects of prescription or over-the-counter drugs.

Appropriate measures will be taken if there are reasonable grounds to believe the actions, appearance or conduct of an employee or contractor indicates that the person may be under the influence of drugs and/or alcohol. If reasonable grounds have been established after a rigorous information-gathering process, drug and/or alcohol testing may be required. A third-party vendor would administer these tests.

Alternatively, if a safety incident occurs and there are reasonable grounds to believe drugs and/or alcohol may have been a contributing factor, testing may also be applied.

Barton says it's up to employees to speak up in the name of safety, whether that means speaking directly to a co-worker, talking to a supervisor or referring someone to the Return to Work office or the Employee and Family Assistance Program (EFAP).

"This is the right thing to do," says Barton.

Starting in late fall of 2011, mandatory awareness sessions were offered to both supervisors and employees to help them understand their roles and responsibilities within the program.

Trevor Langen, Project Lead, Supervisory Safety Training, spearheaded the delivery of the sessions. Langen says he's received a lot of positive feedback about the program and hopes the sessions help build understanding of why it is so important.

"I hope they walk away with the feeling that SaskPower cares about them and cares about their employees and that we have a comprehensive safety program; and that's basically what this is – another piece of the safety program. It's about managing the risk," says Langen.

Significant collaboration and consultation went into developing the policy, says Barton. A committee of union and management employees worked closely to draft the policy and both the Safety Council and the Safety Network were consulted throughout the process. It was approved by SaskPower's Board on December 16, 2010.

Contractor safety

Through the SaskPower Contractor Health and Safety Management Program, we are paying closer attention to the safety of contractors working for SaskPower. There were 148 safety incidents involving contractors during the year, ranging from injuries to near misses to property damage. Inadequate communication of code/practice/procedure, failure to recognize hazards and human factors were found to be among the main root causes for these incidents. Work will continue across the corporation in 2012 to improve contractor safety management.

Measuring safety at SaskPower

SaskPower's lost-time injury frequency rate in 2011 was 2.31, a 47 per cent performance decrease on the five-year average. The rate measures the number of lost-time injuries, normalized in relation to the total number of employee work hours in the injured worker's department. The normalization is based on a standard formula created by the Canadian Electricity Association (CEA).

The increase was due to increased reporting, increased activities throughout the province and an aging workforce. Seventy-five per cent of the lost-time injuries were related to falls on the same level or ergonomics, which generally involve lower-risk activities and are not related to industrial, high-risk hazards and/or critical incidents.

Lost-time injury frequency rate

2011	2010	2009	2008	2007
2.31	1.45	1.18	1.30	1.59

In 2011, our lost-time injury severity rate was 56.06, a 31 per cent performance decline on our five-year average. The reasons for the increase are consistent with the lost-time injury frequency rate above. To address our lost-time injury rates, SaskPower is working to improve return to work processes, as well as streamlining incident reporting and investigation.

The lost time injury severity rate measures the number of calendar days lost due to lost-time injuries, normalized according to the total number of employee work hours in the injured worker's department. The normalization is based on a standard formula created by the CEA.

Lost-time injury severity rate

2011	2010	2009	2008	2007
56.06	43.72	13.55	29.40	47.77

Community Involvement

Supporting communities

In order to enrich the communities in which we work and live, SaskPower supports registered charities and not-for-profit organizations across the province. We provided more than $1.59 million in corporate contributions in 2011 to fund and support hundreds of events, activities and other initiatives to help enhance the quality of life we enjoy in Saskatchewan.

Annual charitable donations

2011	2010	2009	2008	2007
$1,590,543	$1,652,099	$1,545,974	$1,486,953	$1,428,270

Contributions are based on the following categories:

- Community – SaskPower sponsored 124 events and programs in Saskatchewan in 2011. The sponsorships included culture, sports, charities and professional associations.
- Education – With a need for graduates in the trades, technology and other professional vocations, SaskPower participated in 21 events with 15 partners in 2011. We also continued our partnerships with the Saskatchewan Institute of Applied Science and Technology, University of Regina and University of Saskatchewan.
- Environment – SaskPower was involved in 13 environmental partnerships during the year. The highlights included sponsorships with Ducks Unlimited Canada, Nature Conservancy of Canada, Saskatchewan Waste Reduction Council and the Saskatchewan Parks and Recreation Association.

Employees giving back

SaskPower employees from across the province raised more than $350,000 for the United Way in 2011. Money donated to the United Way is spent locally in the locations where it was collected. Beyond financial donations, more than 200 SaskPower employees volunteered in excess of 1,600 hours to a variety of community outreach activities, including lending their expertise and efforts to flood relief in Saskatchewan during the year.

Employee Volunteerism in Provincial Flood Relief Efforts

SaskPower employees assisting with flood efforts

Employees from all areas of the company stepped up to help flood relief efforts in late June of 2011.

Flooding due to heavy rain was widespread throughout the province with several communities – including the City of Weyburn – declaring states of emergency.

On June 24 and 25, a call went out from the Crown Investments Corporation asking for employees' assistance in flood-ravaged Weyburn. SaskPower employees responded quickly. President Robert Watson recognized employees for providing the greatest support of all participating crowns.

"I'm proud to be a part of a company with such hard-working, dedicated employees," Watson posted on the Employee Information Network.

Glossary

Biomass
Energy resources derived from organic matter. These include wood, agricultural waste and other living-cell material that can be burned to produce heat energy.

Capacity
In the electric power industry, capacity has two meanings. System capacity is the maximum power capability of a system. Equipment capacity is the maximum power capability of a piece of equipment.

Capacity factor
The ratio of electric energy produced by a generating unit for a period of time compared to the potential output that could have been produced if it continuously operated at full power during the same period.

Carbon capture and storage
Technology that can help reduce carbon dioxide (CO_2) emissions by capturing carbon from conventional fossil fuels, typically at power plants, and storing it in geological reservoirs deep underground.

Carbon dioxide equivalent (CO_2e)
A unit of measurement used to calculate the impact of the various gases involved in climate change.

Cogeneration
The simultaneous production of heat energy and electrical power from the same fuel in the same facility. Examples are the use of waste heat (i.e. steam) from an industrial process to produce electricity or the use of steam or hot water from electric power generation as a heating source.

Compact fluorescent light (CFL)
Energy-saving light bulbs that last longer and use less energy than traditional incandescent light bulbs while providing the same level of light intensity.

Demand
The rate at which electric energy is delivered at a given moment or averaged over a period of time. It is measured in kilowatts, megawatts, etc.

Distribution
The process of moving electric energy at lower voltages from major substations to customers.

Electrostatic precipitator (ESP)
A device for removing particles of ash, dust, smoke and other elements from air and gas flows.

Energy
The capacity of a physical system to do work.

Environmental Management System (EMS)
Part of an overall management system that includes organizational structure, planning activities, responsibilities, practices, procedures, processes and resources for developing and implementing an environmental policy and managing environmental aspects.

Fly ash
The fine powder resulting from the combustion of pulverized coal used in many coal-fired generating stations.

Fossil-based generation
Includes coal- and natural gas-fired generation of electricity.

Gigawatt hour (GWh)
A unit of bulk energy equivalent to 1,000,000 kilowatt hours.

Greenhouse gas (GHG)
Naturally occurring gases, such as CO_2, methane (CH_4) and nitrous oxide (N_2O), that trap heat in the earth's lower atmosphere.

ISO 14001
A standard that defines the elements of a sound environmental management system. The ISO 14000 Series is a family of environmental management standards developed by the International Organization for Standardization (ISO).

Kilowatt (kW)
A unit of energy equal to 1,000 watts (1 kW).

Kilowatt hour (kWh)
A unit of measurement equal to 1,000 watts of electricity used continuously for one hour. This measurement is generally used for billing residential customers.

Light-emitting diode (LED)
A solid-state semiconductor device that converts electrical energy directly into light.

Lignite
A low-grade coal, intermediate between peat and bituminous coal. Lignite has the lowest energy content among the various grades.

Load
The amount of electric power or energy consumed by a particular customer or group of customers.

Megawatt (MW)
A unit for measuring power equivalent to 1,000,000 watts (1,000 kW). The output of a commercial generator or power station is usually expressed in megawatts.

Megawatt hour (MWhr)
A unit of measurement equal to 1,000 kW of electricity used continuously for one hour.

Net metering
The offsetting of electrical consumption by a customer against the same customer's production of electricity, typically from a small-scale renewable energy source such as wind or solar.

North American Electric Reliability Corporation (NERC)
Formed in 1968, NERC's mission is to ensure the bulk electric system in North America is reliable, adequate and secure.

OHSAS 18001
A standard that defines the elements of a sound occupational health and safety management system.

Offsets
Initiatives designed to reduce net emissions from the burning of fossil fuels. Offsets are carried out independently of the source emissions.

Particulate matter
Emissions of ash particles from the burning of fossil fuels.

Peak load demand or peak energy demand
The maximum amount of electric power or energy consumed by a particular customer or group of customers at a precise time.

Polychlorinated biphenyls (PCBs)
A group of organic compounds that were once used as cooling and insulating fluids in various types of electrical equipment, including transformers and capacitors.

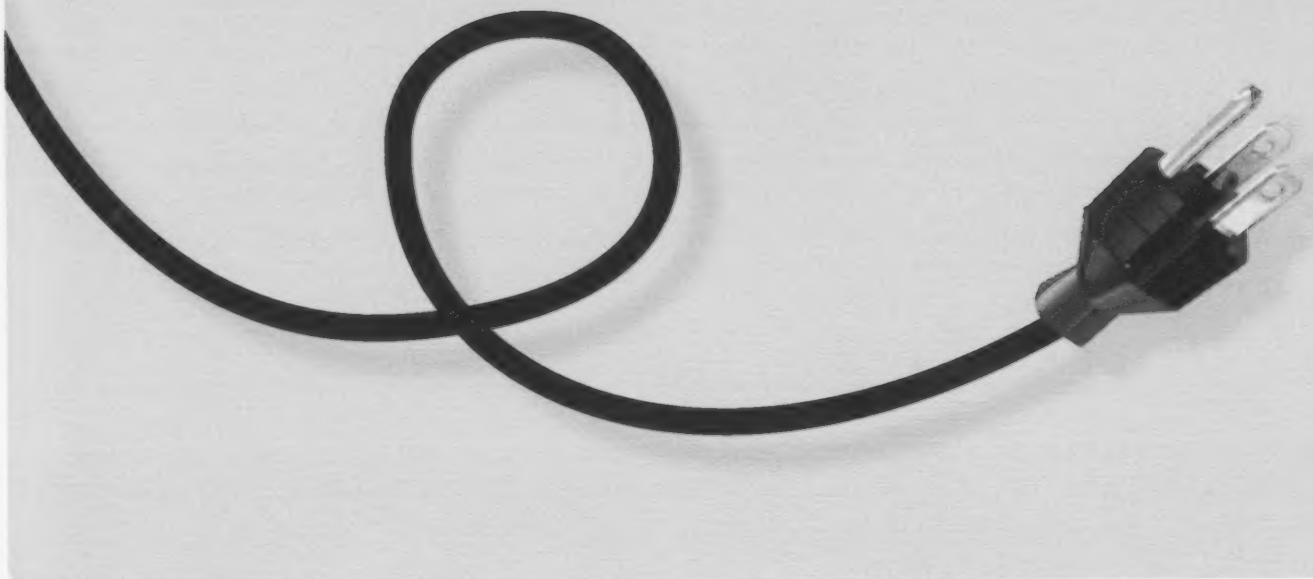
Safety Management System (SMS)
The structure, resources, practices and processes used to implement health and safety policies and minimize risks.

Transmission
The process of moving electric power in bulk at higher voltages from the source of supply to distribution centres.

Watts
A measurement of total electrical power. This unit describes the instantaneous power that a light bulb or appliance would draw at any one moment.

We'd like to hear from you.

You can email your comments to
environmental_programs@saskpower.com
or call us toll-free at 1-800-667-4749.



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